
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this Prospectus, as defined herein, or as to the action to be taken, you should obtain independent professional advice.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto all documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in appendix V to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of this Prospectus.

**CONDITIONAL CLAWBACK OFFER MADE BY
ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF
FIRSTSUCCESS INVESTMENTS LIMITED
(INCORPORATED IN THE BRITISH VIRGIN ISLANDS WITH LIMITED LIABILITY),
A WHOLLY OWNED SUBSIDIARY OF**



華潤(集團)有限公司
China Resources (Holdings) Company Limited

(Incorporated in Hong Kong with limited liability)

**TO QUALIFYING SHAREHOLDERS OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED (THE "COMPANY") FOR
THE ZERO COUPON CONVERTIBLE BONDS DUE 2010
IN THE AGGREGATE PRINCIPAL AMOUNT OF HK\$200.0 MILLION
(THE "CLAWBACK OFFER")
WITH A DENOMINATION OF HK\$4,000
ISSUED BY CHINA RESOURCES CEMENT FINANCE LIMITED (THE "ISSUER") AND
GUARANTEED BY AND CONVERTIBLE INTO ORDINARY SHARES OF**



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)

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

Dealing in the Bonds, as defined herein, may be settled through the Central Clearing and Settlement System ("CCASS") established and operated by HKSCC and you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Issuer and the Company have respectively applied to the Listing Committee for the listing of, and permission to deal in, the Bonds and the Conversion Shares, as defined herein.

Subject to the granting of the listing of, and permission to deal in, the Bonds on the Stock Exchange, the Bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonds on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

The latest time for acceptance and, or application and payment for the Bonds is 4:00 p.m. on Thursday, 17 February 2005. The procedure for acceptance and application is set out on page 38 of this Prospectus.

The Clawback Offer is conditional upon, among other things:

- **Bonds in an aggregate principal amount of not less than HK\$50.0 million having been accepted and, or, applied for and allocated under excess application by the Qualifying Shareholders; and**
- **the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Bonds.**

If the conditions have not been fulfilled at or before 5:00 p.m. on 28 February 2005 (or such other date as China Resources (Holdings) Company Limited and the Company may agree in writing taking into account all applicable legal and regulatory requirements), the Clawback Offer shall forthwith terminate and lapse, and the Bonds will not be listed on the Stock Exchange.

Qualifying Shareholders and investors should exercise caution when applying for the Bonds and dealing in the Shares.

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EXPECTED TIMETABLE

2005

Record date	Monday, 10 January
Register of members reopens	Tuesday, 11 January
Despatch of the Prospectus Documents	Monday, 31 January
Commencement of the Clawback Offer	Monday, 31 January
Latest time for acceptance and payment	4:00 p.m. Thursday, 17 February
Announcement of results of acceptance and if applicable, allocation, appearing in newspapers	Wednesday, 23 February
Refund cheques and, or, certificates for the Bonds despatched.....	Friday, 25 February
Expected commencement date of dealings in the Bonds	Wednesday, 2 March

Further announcement will be made if the above timetable is being amended. All time references contained in this Prospectus refer to Hong Kong time.

ATTENTION

This Prospectus is published in connection with the Clawback Offer of the Bonds and the proposed listing of the Bonds. The Clawback Offer is an offer of the Bonds carrying rights to subscribe for Shares, subject to the terms and conditions set out or referred to herein.

Each Qualifying Shareholder should determine the relevance of the information contained in this Prospectus and any purchase of the Bonds should be based on such information as each Qualifying Shareholder deems necessary. Anglo Chinese does not undertake to review the financial condition or affairs of the Issuer and the Company during the term of the Bonds or to advise any Qualifying Shareholder of any information relating to the Issuer and the Company which comes to its attention.

No action has been taken in any jurisdiction other than Hong Kong to permit the Clawback Offer of the Bonds or the distribution of this Prospectus. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation except under such circumstances that will result in compliance with any applicable laws or regulations.

No person has been authorised to give any information or to make any representation not contained in this Prospectus in connection with the Clawback Offer and if given or made, such information or representation must not be relied upon as having been authorised by the Company or Anglo Chinese. Neither the delivery of this Prospectus nor any issue or sale of any Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Issuer and the Company since the date hereof. This Prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offer of the Bonds or the distribution of this Prospectus in any jurisdiction where any such action is required.

The Stock Exchange and HKSCC have made no assessment of, nor does either of them take any responsibility for, the financial soundness of the Issuer, and the Company or the merits of investing in the Bonds, nor has either of them verified the accuracy or the truthfulness of statements made or opinions expressed in this Prospectus.

The distribution of this Prospectus and the Clawback Offer in certain jurisdiction may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Company to inform themselves of and to observe any such restrictions.

Potential Bondholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding the Bonds or exercising their rights thereunder. It is emphasised that none of the Issuer, the Company, Anglo Chinese, any other parties involved in the Clawback Offer or their respective directors and officers accepts responsibility for any tax effects on, or liabilities of, the Bondholders resulting from the purchase or holding or disposal of the Bonds and, or exercise of any rights attaching to the Bonds.

EACH QUALIFYING SHAREHOLDER MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT SUBSCRIBES, PURCHASES, OFFERS OR SELLS THE BONDS OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE SUBSCRIPTION, PURCHASE, OFFER OR SALE OF THE BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH SUBSCRIPTION, PURCHASE, OFFER OR SALE, AND NONE OF THE ISSUER, THE COMPANY, ANGLO CHINESE, ANY OTHER PARTIES INVOLVED IN THE CLAWBACK OFFER OR THEIR RESPECTIVE DIRECTORS AND OFFICERS SHALL HAVE ANY RESPONSIBILITY THEREFOR.

SUMMARY

The following information is derived from, and should be read in conjunction with and subject to, the full text of this Prospectus:

THE CLAWBACK OFFER

Amount of Bonds under the Clawback Offer	An aggregate principal amount of HK\$200.0 million Bonds to Qualifying Shareholders only
Denomination	HK\$4,000.00, also as a trading lot of the Bonds
Offer price for the Bonds	HK\$4,004.00 in cash, inclusive of buyer's transfer stamp duty, for every trading lot of Bonds in denomination of HK\$4,000.00
Latest time for acceptance and payment	4:00 p.m. Thursday, 17 February 2005
Basis of the Clawback Offer	<p>Assured entitlement of Bonds in principal amount of HK\$4,000.00 for every board lot of 2,000 Shares, subject to acceptance</p> <p>No offer of the Bonds will be made to the Qualifying Shareholders with Shares of less than a board lot of 2,000 or in respect of any odd lot of Shares held by any Qualifying Shareholders, if they are holding more than a board lot but the holding of which is not in a multiple(s) of a board lot. However, preference will be given to those Qualifying Shareholders with less than a board lot of Shares but desire to apply for the Bonds in the denomination of HK\$4,000.00. Such Qualifying Shareholders are required to apply under excess application.</p>
No fractions of the Bonds will be issued	Qualifying Shareholders are not entitled to purchase any fractions of the Bonds of less than a denomination of HK\$4,000.00.
Excess application for the Bonds	Qualifying Shareholders are entitled to apply for additional Bonds in excess to their assured entitlement of Bonds. Subject to the preferential treatment to those with less than a board lot of Shares, excess application will be allocated on an equitable basis

SUMMARY

Overseas Shareholders

Overseas Shareholder cannot take part in the Clawback Offer

Listing and dealing

Subject to the granting of listing of, and permission to deal in, the Bonds on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonds on the Stock Exchange or such other date as determined by HKSCC. The Bonds will be traded in units of HK\$100.00 each in principal amount and each trading lot of Bonds has 40 units. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. A transaction levy of 0.005%, an investor compensation levy of 0.002% and a trading fee of 0.005%, of the principal amount of the Bonds traded will be chargeable on both the buyer and the seller. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements may affect their rights and interest.

SUMMARY

RISK FACTORS

The directors of the Issuer and the Company consider that there are certain risks involved in the Clawback Offer and the business of the Group, which include those set out in the section headed “Risk factors” in this Prospectus. The risks can be categorised as follows:

Risks relating to the Issuer

- **Risk relating to ability to meeting obligations of the Issuer**
- **Risk of high gearing of the Issuer and the Company**

Risks relating to the Bonds

- **Risk of subordination**
- **Risk of absence of a secondary market for the Bonds**

Risks relating to the Company

- **Risks relating to growth strategy**
- **Significant capital and finance requirements**
- **Fluctuation of profits**
- **Seasonal effect on sales**
- **Product claims**
- **Cost of energy and raw materials**
- **Dependence on key management**
- **Dependence on major suppliers**
- **Insurance coverage**
- **Trademarks infringement by third parties**
- **Dividend policy**
- **Preferential tax treatment**

Risks relating to the concrete industry in Hong Kong

- **Competition**
- **Environmental protection**

Risks relating to the cement industry in the PRC

- **Competition**
- **Environmental protection**

Risks relating to the concrete industry in the PRC

- **Competition**
- **Environmental protection**

Political risks and economic considerations

- **Risks relating to the PRC**
 - *Laws and regulations*
 - *Economic conditions in the PRC*
 - *Currency conversion and exchange rate risks*
- **Risk relating to Hong Kong**
 - *Political and economic factors*

SUMMARY

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

Issuer	China Resources Cement Finance Limited
Guarantor	China Resources Cement Holdings Limited
Principal amount	The aggregate principal amount of the Bonds is HK\$800.0 million, the entire amount of which is outstanding as at the date of this Prospectus
Issue price	100% of the principal amount of the Bonds
Interest	The Bonds bear zero interest.
Conversion Period	During the period beginning on the date of issue of the Bonds and ending at the close of business in Hong Kong on the Maturity Date, both days inclusive, the Bondholders will have the right at any time and from time to time to convert all or any of their holding of such Bonds, which must be in integral multiples of HK\$4,000.00 or where the Bonds are listed on the Stock Exchange, in whole units, into Shares. The Shares to be issued and allotted to the Bondholders on the exercise of the conversion rights will rank pari passu in all respects with all the other Shares then in issue.
Conversion Price	<p>The Bonds will be convertible into Shares at an initial Conversion Price of HK\$2.00 per Share. The Conversion Price is subject to adjustment for, among other things, subdivision or consolidation of the Shares, bonus issues, rights issues, distributions and other dilutive events.</p> <p>The Conversion Price shall not be reduced to below the par value of the Shares, being currently at HK\$0.10 per Share.</p>
Transfer	<p>The Bonds are in registered form.</p> <p>The Bonds will be transferable without restrictions, save and except that the Bonds may not be transferred to a Connected Person or an Associate of the Company in the absence of the prior written approval of the Company. No transfer will be effective unless and until it has been entered on the register of the Bondholders to be maintained by or on behalf of the Issuer. Further, transfer of Bonds not in unit(s) is not permitted.</p>

SUMMARY

Maturity	Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the terms and conditions of the Bonds, the Company will redeem each Bond at 100.0% of its principal amount on the Maturity Date, being the date following five years after the Closing Date, being 13 January 2005.
Mandatory conversion or redemption	<p>On or at any time and prior to the Maturity Date, the Company may, by notice, redeem or require the Bondholders to convert all or from time to time some only (being HK\$4,000.00 in principal amount or integral multiples thereof) of the Bonds if:</p> <p>(i) the average closing price of the Shares (as derived from the daily quotation sheet of the Stock Exchange or, as the case may be, the equivalent quotation sheet of an alternative stock exchange (as defined in the terms and conditions of the Bonds)), for the 30 trading days preceding the date upon which notice of such redemption or conversion is given, is higher than 150% of the Conversion Price; or</p> <p>(ii) the aggregate principal amount of all the Bonds then in issue and outstanding is less than HK\$30.0 million.</p>
Form of the Bonds, denomination and Unit Value	The Bonds are in registered form and in denomination of HK\$4,000.00 each or integral multiples thereof. The Bonds are divided into units of HK\$100.00 each. Fractions of a Bond in unit(s) may be issued and such units of Bond (but not part thereof) shall have the corresponding fractional liabilities, limitations, references, privileges, qualifications, restrictions, rights and other attributes of a whole Bond, save and except that no voting rights are attached to any fractional Bonds.

SUMMARY

Ranking of the Bonds and voting rights	<p>The Bonds are guaranteed by the Company and will be subordinated to the amounts owed by the Company to certain of its bankers or, when required, to any future indebtedness of the Company.</p> <p>Bondholders do not have any voting rights or rights to attend shareholders meetings of the Company until and unless they have converted their Bonds into Shares except on matters directly affecting the rights of the Bondholders in respect of which meetings of Bondholders will be convened. Bondholders are entitled to one vote in respect of every HK\$4,000.00 in principal amount of Bonds held at meetings of Bondholders or in respect of matters for which resolutions of Bondholders are required.</p>
Default	<p>The principal amount outstanding on the Bonds shall become immediately repayable on the occurrence of certain events of default including, but not limited to, default in making payment of principal, material breach by the Company of any covenants or conditions of the Bonds and the passing of a resolution or the making of a court order for the winding up or dissolution or administration of the Company, the Issuer or any material subsidiary of the Company.</p>
Guarantee	<p>The Company unconditionally and irrevocably guarantees the payment obligations of the Issuer under and subject to the terms and conditions of the Bonds.</p>
Listing	<p>The Issuer and the Company have respectively applied to the Stock Exchange for, the listing of, and permission to deal in, the Bonds and the Conversion Shares. The listing approval for the Conversion Shares has been granted.</p> <p>The Company has not raised any funds by means of equity in the past twelve months.</p>
Governing Law	<p>The Bonds are governed by, and shall be construed in accordance with, the laws of Hong Kong.</p>
General	<p>Please refer to Appendix I to this Prospectus for the details of the terms and conditions of the Bonds.</p>

DEFINITIONS

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

“Acquisition”	the acquisition of the 73.5% equity interest in the Guangxi Pingnan China Resources Yufeng Cement Company Limited pursuant to the Acquisition Agreement, which was completed on 13 January 2005
“Acquisition Agreement”	a sale and purchase agreement dated 29 November 2004 entered into between the Company and China Resources Holdings
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a deemed licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities under the SFO
“Announcement”	the announcement of the Company dated 2 December 2004
“Application Form”	the form for acceptance of entitlements and, or, application for excess Bonds and the transfer form, for the purchase of the Bonds under the Clawback Offer
“Associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“Bond(s)”	the zero coupon guaranteed convertible bond(s) due 2010 in the aggregate principal amount of HK\$800.0 million
“Bondholders”	holders of the Bonds from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Resources Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“Circular”	the circular of the Company dated 24 December 2004

DEFINITIONS

“Clawback Offer”	the offer of Bonds of an aggregate denominated value of HK\$200.0 million to the Qualifying Shareholders by the Subscriber, a wholly owned subsidiary of China Resources Holdings
“Closing Date”	13 January 2005, being the date on which the Bonds were issued
“Company” or “Guarantor”	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
“Conversion Period”	on or after the Closing Date up to and including the close of business (at the place where the certificate evidencing such Bonds are deposited for conversion) on the Maturity Date or if such Bonds shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on the seventh business day (at the place aforesaid) prior to the date fixed for redemption thereof
“Conversion Price”	HK\$2.00, being the price per Share, subject to adjustment, at which the Bonds may be converted into Conversion Shares
“Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Bonds
“Director(s)”	director(s) of the Company
“Facility Agreement”	the loan agreement dated 25 October 2004 between the Company and various banks
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than China Resources Holdings and its Associates

DEFINITIONS

“Independent Third Parties”	parties and their respective ultimate beneficial owners, who are independent from and not connected with the Company or its Connected Person and not Connected Persons of the Company
“Instrument”	the amended and restated instrument dated 27 January 2005 and signed by the Issuer and the Company which constitutes the Bonds
“Issuer”	China Resources Cement Finance Limited (formerly known as Bestleap Group Limited), the issuer of the Bonds
“Latest Practicable Date”	27 January 2005, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information for inclusion in this Prospectus
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date following the expiration of a five year period after the Closing Date, being 14 January 2010
“Overseas Shareholders”	Independent Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown in the register of members of the Company are outside Hong Kong
“Pingnan Joint Venture”	Guangxi Pingnan China Resources Yufeng Cement Company Limited, a company established in the PRC
“PRC”	The People’s Republic of China
“PRD”	Pearl River Delta region in Guangdong Province, PRC
“Prospectus”	this prospectus for the Clawback Offer and the proposed listing of the Bonds
“Prospectus Documents”	this Prospectus and the Application Form

DEFINITIONS

“Qualifying Shareholders”	Independent Shareholders other than the Overseas Shareholders
“Record Date”	Monday, 10 January 2005, being the date by reference to which entitlements to the Clawback Offer will be determined
“Registrar”	Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Firstsuccess Investments Limited, a wholly owned subsidiary of China Resources Holdings specifically incorporated to subscribe for the Bonds and whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. As at the date of this Prospectus, the Subscriber has not carried on any business other than the subscription of the Bonds and matters ancillary thereto
“Subscription Agreement”	a subscription agreement dated 29 November 2004 entered into by the Issuer, the Company, the Subscriber and China Resources Holdings relating to the issue of the Bonds
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC

DEFINITIONS

“US\$” United States dollar, the lawful currency of the United States of America

“%” per cent

Unless otherwise specified in this Prospectus, amounts denominated in Renminbi and United States dollars have been converted, for the purpose of illustration only, into Hong Kong dollars at the rates of HK\$1.00 = RMB1.0661 and HK\$7.80=US\$1.00 respectively. This exchange is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

WAIVERS FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

Section 342(1) of the Companies Ordinance prescribes the information required to be contained in a prospectus. This Prospectus must contain such information unless the provision of such information is either exempted or not applicable.

A certificate of exemption in respect of the Issuer relating to this Prospectus has been issued, subject to conditions, by the SFC under section 342A(1) of the Companies Ordinance in respect of (i) sections 342(1)(a)(i) and 342(1)(a)(ii) of the Companies Ordinance on the ground that the inclusion of such information regarding the constitutional and incorporation documents of the Issuer would be irrelevant to the Qualifying Shareholders and would not in any way affect on Qualifying Shareholders decision to purchase the Bonds in the context of the Issuer being a special purpose vehicle and the obligations of the Issuer under the Bonds being guaranteed by the Company; and (ii) paragraph 33 of the Third Schedule to the Companies Ordinance (the “Third Schedule”) on the ground that it would be unduly burdensome to comply with the requirement to include the financial statements of the company acquired by the Group under the Acquisition, for which the consideration has been settled by the application of part of the proceeds of the issue of the Bonds, for each of the three financial years immediately preceding the date of this Prospectus, as the audited accounts of such company for the period from 1 July 2003, date of incorporation of such company, to 31 December 2003 and the nine months ended 30 September 2004 have been set out in the Circular and that such information being public information is available on the website of the Stock Exchange to which the Qualifying Shareholders and the public have easy access.

The certificate of exemption referred to above also contains exemptions granted in respect of the Company, subject to certain conditions, by the SFC under section 342A(1) of the Companies Ordinance in respect of (i) paragraphs 27 and 31 of the Third Schedule on the ground that it would be unduly burdensome to include in this Prospectus the financial statements of the Company for each of the three financial years immediately preceding the date of this Prospectus on the basis that the audited financial statements for the year ended 31 December 2004 are not available as of the date of this Prospectus and the latest audited accounts of the Company for the period from 13 March 2003 (date of incorporation of the Company) to 31 December 2003 have been included in the last annual report of the Company for 2003 and that a summary of the unaudited interim results of the Company for the six months ended 30 June 2004 together with such other financial information about the Group have been published in the Circular and that the said annual report and the Circular are public documents and are posted on the website of the Stock Exchange to which the Qualifying Shareholders and the public have easy access. Furthermore, the Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in the financial position of the Group since 31 December 2003, the date to which the latest audited consolidated financial statements of the Group were made up; (ii) paragraph 33 of the Third Schedule on the ground that it would be unduly burdensome to comply with the requirement to include in this Prospectus the financial statements of the company acquired by the Group under the Acquisition, for which the consideration has been settled by the application of part of the proceeds of the issue of the Bonds, for each of the three financial years immediately preceding the date of this Prospectus, as the audited financial

WAIVERS FROM COMPLIANCE WITH THE COMPANIES ORDINANCE

statements of such company for the year ended 31 December 2004 are not available as of the date of this Prospectus and the audited financial statements of such company for the period from 1 July 2003 (date of incorporation of such company) to 31 December 2003 and the nine months ended 30 September 2004 have been set out in the Circular and that such information being public information is available on the website of the Stock Exchange to which the Qualifying Shareholders and the public have easy access; and (iii) paragraph 34 of the Third Schedule on the ground that it would be unduly burdensome to commission a valuation report for inclusion in this Prospectus as the aggregate value of the Company's investment in land and buildings is specified in the latest audited financial statements of the Company for the period from 13 March 2003 (date of incorporation of the Company) to 31 December 2003 and the Directors confirm that there has not been any material adverse change to such aggregate value since 31 December 2003, the date to which the latest audited financial statements of the Group were made up and the said audited financial statements have been published and are available on the website of the Stock Exchange, to which the Qualifying Shareholders and the public have easy access.

The certificate of exemption is issued subject to (a) (i) the annual report of the Company for the financial year ended 31 December 2003 and its interim report for the six months ended 30 June 2004; (ii) the Circular, being made available for inspection in accordance with the paragraph headed "Documents available for inspection" in Appendix V to this Prospectus; and (b) this Prospectus setting out particulars of the certificate of exemption.

In addition, pursuant to section 9(2) of the Companies Ordinance (Exemption of Companies and Prospectus From Compliance with Provisions) Notice (cap. 32L), compliance with respect to paragraph 22, (in relation to a summary of the contents of the articles of the Company with regard to any borrowing powers exercisable by the directors and the manner of variation of such powers) of the Third Schedule is exempted in relation to this Prospectus.

The Directors confirm that they have performed sufficient due diligence on the Group to ensure that, as of the date of this Prospectus, there has been no material adverse change in the financial position and the aggregate value of the investment in land and buildings of the Group since 31 December 2003, being the date to which the latest audited financial statements of the Group were made up.

RISK FACTORS

Potential investors in the Bonds should consider carefully all the information set out in this Prospectus, including the risk factors highlighted below.

The information set out herein is included for the purpose of enabling potential investors and their advisers to make an informed assessment of the terms of the Bonds, general risks of investing in the Bonds and the capacity of the Issuer and the Company to fulfil their respective obligations under the Bonds. The risk factors set out in this Prospectus are not exhaustive. Potential investors should seek appropriate and relevant advice concerning the suitability of an investment in the Bonds for their particular circumstances.

RISKS RELATING TO THE ISSUER

Risks relating to ability to meet obligations of the Issuer

The Issuer is a special purpose company wholly owned by the Company which has not and will not engage in any material activities other than those regarding to the issue of the Bonds and has no assets other than the proceeds of the Bonds. The proceeds from the issue of the Bonds have been on-lent to the Company on 13 January 2005 for purposes as stated in the paragraph headed "Use of proceeds" in letter from the Board of the Company. The Bonds are principally secured by the guarantee of the Company in accordance with the terms and conditions of the Subscription Agreement and the Instrument. The Issuer does not and will not have any material assets other than the amounts due to it from the Company or its other subsidiaries in respect of the loans. Furthermore, the Issuer does not and will not have any ownership, security or other proprietary interest in the assets of the Company. Therefore, the Issuer's ability to meet its obligations under the Bonds will entirely depend on the Company's performance of its guarantee.

Risk of high gearing of the Issuer and the Company

With the issue of the Bonds, both the Issuer and the Company will be highly geared. On the basis as set out in Appendix III to the Circular, the gearing ratio of the Group is 161.7% after completion of the Acquisition and the issue of the Bonds.

The Bonds are guaranteed by the Company and it has an obligation to repay the Bonds at the then outstanding principal amount thereunder at the end of their five year life in 2010 if they have not been previously converted. If the Company has misjudged the market and the large additional production capacity cannot in the event be profitably utilised as currently planned, there is a risk that the Bonds may not be converted and that the Company might be unable to repay the Bonds in 2010. The consequences in those circumstances might include a re-financing, a financial restructuring and, or, a proposal to re-set the conversion price at a lower figure than HK\$2 per Share.

RISK FACTORS

RISKS RELATING TO THE BONDS

Risk of subordination

Under the Subscription Agreement, the Bonds are subordinated to the Company's existing banking facilities under the Facility Agreement until these facilities are terminated or repaid in full. In addition, the Bonds will be subordinated, if necessary, to any future indebtedness in any form for the purpose of funding any capital requirement of the Company in order to maintain the Company's ability to raise loan capital in the future. Accordingly, banks which are party to the Facility Agreement and, or, future creditors of the Group shall be entitled to receive payment in full of all liabilities to them due from the Group before the Bondholders shall be entitled to receive any payment under the Bonds.

Risk of absence of a secondary market for the Bonds

If the Bonds are admitted for listing by the Stock Exchange, such admission and listing should not be construed as a guarantee or assurance that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market. Furthermore, the Bonds could be traded in the secondary market at prices that may be higher or lower than the initial offer price depending on many factors, including prevailing price of the Shares, general stock market conditions, significant changes in the turnover generated and profits earned by, the Company and, if any, the market for any similar securities.

RISKS RELATING TO THE COMPANY

Risks relating to growth strategy

One of the Group's principal growth strategies is to increase its turnover, profitability and market size through acquisition of additional cement and related businesses. However, there is no assurance that the Group will be able to identify and acquire appropriate acquisition targets available for sale at reasonable prices. The Group may not have sufficient available capital to pay for such acquisitions, or any issue of shares or other securities to satisfy such payments may affect the capital structure of the Company. As a result, the Group may not be able to realise its business strategy of growth through acquisitions.

Significant capital and finance requirements

Cement production is capital intensive. The Group is required to make substantial investments in establishing new cement plant or acquiring cement plant and other investments. During the three years ended 31 December 2003, the capital expenditure of the Group amounted to approximately HK\$24.6 million, HK\$373.9 million and HK\$200.4 million, respectively. The Group intends to

RISK FACTORS

make further investments in capital expenditure as part of its overall expansion plan to increase its production capacity and improve its distribution network in the PRC, including, the investment of the Pingnan Joint Venture and development of a new cement production plant in Guigang, Guangxi, details of such capital expenditure programme are set out in the section in this letter above headed "Use of proceeds". The initial investment and expansion plan is expected to be financed by internal resources of the Group or additional bank loans. There can be no assurance that sufficient external sources of financing on reasonable terms will be available to fund the Group's capital expenditure programme. The failure to obtain such financing may hinder the Group's ability to continue its business and to implement its growth strategies successfully.

Fluctuation of profits

The Group's revenue is principally derived from sale of cement and concrete products in PRC and Hong Kong. For the three years ended 31 December 2003, the Group recorded pro forma combined net profit attributable to Shareholders of approximately HK\$159.6 million, HK\$72.8 million and HK\$49.3 million, respectively. Based on the unaudited interim results for the six months ended 30 June 2004, the Group recorded a consolidated turnover of approximately HK\$671.3 million and consolidated net profit attributable to Shareholders of approximately HK\$45.2 million. The concrete and cement industry is cyclical in nature and is largely dependent on the building and construction industry and general economic conditions. The Group's profits have fluctuated during the three and a half years ended 30 June 2004. As such, there can be no assurance that the Group can maintain such profitability during the three and a half years ended 30 June 2004 in the future.

Seasonal effect on sales

The demand for the Group's cement, concrete and related products is largely dependent on the requirements of the building and construction industry, which, in Southern China, is not generally seasonal because of year round favourable climatic conditions. However, from time to time, the building and construction industry is adversely affected by major typhoons and torrential rain.

Product claims

The Group's operation generally involves providing different types of cement with a variety of specifications and formulations. Concrete products must conform to applicable tests, contractual specifications and other regulatory requirements for timely delivery. If the Group fails to meet with these requirements and specifications, claims may arise against the Group and its reputation may be damaged. As far as the Directors are aware, it is not a common practice in the industry in both Hong Kong and the PRC to maintain insurance coverage for product claims. The Group may, therefore, be liable for the damage arising from any loss and injury due to defective products which are not covered by insurance coverage and this may have an adverse effect on the Group's financial condition, reputation and operation.

RISK FACTORS

Cost of energy and raw materials

Clinker, coal and electricity represent a substantial portion of the cost of cement production. At the Group's cement plant in Guangxi, coal is used primarily for firing raw materials in the kilns of the cement plant during cement production and electricity is used for operating crushers and grinding mills. The Group's cement plant in Dongguan uses heavy oil to run five electricity generators for operating grinding mills to process imported clinker into cement. Cement and aggregates are the major raw materials used in the production of concrete.

During the three years ended 31 December 2003, the total cost of energy and raw materials accounted for approximately 86.2%, 80.5% and 80.9%, respectively, of the total cost of sales of the Group. Other costs, such as labour and indirect costs, do not currently involve risks which the Directors consider material in the context of the Group's business. The Directors believe that any significant increase in the prices of coal, heavy oil, electricity, clinker, cement and aggregates that cannot be passed on to its customers will have an adverse impact on the profitability of the Group.

Dependence on key management

The extent to which the Group is able to carry out its business plan will depend to a significant extent on the continuing efforts of its key executives and senior management of its existing businesses and of any significant businesses it may acquire in the future. The Group's success will also depend on the continuing efforts of its plant managers and technicians. As such, the Group's performance depends on its ability to retain, motivate and recruit senior management and personnel who possess the relevant management and technical experience critical to its success. In the event that some of these persons do not continue in their respective roles or the Group fails to attract and retain suitably experienced qualified replacements, the business and results of operation of the Group could be adversely affected.

Dependence on major suppliers

For each of the three years ended 31 December 2003, total purchases made from the Group's five largest suppliers (including Sumitomo Corporation who together with its Associate, Sumitomo Corporation (Hong Kong) Limited, is currently a connected person of the Company), in aggregate accounted for approximately 50.1%, 47.0% and 40.0%, respectively of the Group's pro forma combined total purchases. For the same period, Sumitomo Corporation accounted for approximately 26.1%, 24.3% and 20.1% of the Group's pro forma combined purchases, respectively. The Group has not entered into long term procurement contracts with any of these suppliers. Accordingly, the Group's result would be adversely affected if it were unable to obtain stable and continuous supplies of ingredients in a timely manner or if there were any significant increase in costs of any major raw materials in the future.

RISK FACTORS

Insurance coverage

The Group's operation has the potential to cause personal injury and loss of life, damage to or destruction of property, plant and equipment and the environment. Although the Group conducts training programme designed to reduce the risks of these occurrences, the Group cannot eliminate these risks. The Group maintains insurance coverage in amounts and against such risks that the management believes to be in accordance with industry practice but such insurance may not be adequate to cover all losses or liabilities that may arise from its operations and the Group may, in future, not be able to maintain insurance of the types or at levels the Group deems necessary or adequate or at rates which the management considers reasonable.

Trademarks infringement by third parties

Members of the Group are registered proprietors of certain trademarks and other intellectual property rights which are used in the operation of the Group's business. The Directors are not aware of any significant trademark infringement of the Group's products in the past. However, the Group's image and profitability may be adversely affected if there were to be any such infringement in the future.

Dividend policy

The Company's ability to pay dividends is dependent on the earnings of its subsidiaries and joint ventures and their distribution of funds to the Company, primarily in the form of dividends. The ability of these subsidiaries and joint ventures to make distributions to the Company are subject to applicable legal and other restrictions, including the amount of distributable earnings, cashflow conditions, restrictions contained in the articles of association of such companies and the relevant joint venture and shareholders' arrangements, the applicable companies law and other arrangements. These restrictions could reduce the amount of distributions that the Company receives from its subsidiaries and joint ventures, which in turn would restrict the Company's ability to pay dividends to its shareholders.

Preferential tax treatment

Certain members of the Group established in the PRC currently enjoy and may continue to enjoy preferential tax treatment pursuant to the applicable laws in the PRC. Should there be any change in such PRC law or its application, the effective tax rates for these companies in the future might increase substantially and, accordingly, they would be subject to significant tax charges which would adversely affect profitability of the Group.

RISK FACTORS

RISKS RELATING TO THE CONCRETE INDUSTRY IN HONG KONG

Competition

The concrete industry in Hong Kong is characterised by vigorous competition. The Group may lose business to competitors who underbid it. The Group's competitive position in a given market will depend largely on the location and operating costs of its ready mixed concrete plants and the prevailing market price. Competitors having lower operating costs than those of the Group or having the financial resources to enable them to accept lower margins than the Group will have a competitive advantage over the Group for contracts which are particularly price sensitive. Competitors having greater financial resources than the Group to invest in new mixer trucks, build plants in more strategic locations or engage in strategic acquisitions will also have competitive advantages over the Group.

Environmental protection

Rising concerns on environmental conservation in Hong Kong over the past few years may prompt governmental authorities to strengthen regulations in this respect. Governmental requirements that impact the Group's operations include those relating to air quality, solid waste management and waste water treatment. These requirements are complex and subject to frequent changes. There is no assurance that the government will not introduce new rules and regulations which will impose more stringent controls over industrial pollution whereby the Group may need to incur material expenditures not currently anticipated. In addition, although the Group intends to conduct appropriate investigations with respect to environmental matters in connection with future acquisitions, the Group may fail to identify or obtain indemnification against all potential environmental liabilities of any business to be acquired.

RISKS RELATING TO THE CEMENT INDUSTRY IN THE PRC

Competition

As the PRC cement industry is characterised by a large number of small cement plants, the market for cement products, particularly that of low grade cement, is competitive in the PRC. With the deregulation of cement prices in 1996 and the deflation in the PRC since 1997, prices of cement have dropped significantly. Since competition in the cement market is based primarily on the price and quality of the products, the Group may be forced to reduce its cement prices in order to compete with other producers. However, given the focus of cement operations on the high grade cement market and their economies of scales, the Directors believe that the cement operations will be able to maintain its competitive edge. Nevertheless, the cement operation may lose its business if its competitors have greater financial resources which may enable them to upgrade the quality of their products and sell at lower prices.

RISK FACTORS

Due to the low price-to-weight ratio and the short shelf life of cement, the cement market tends to be localised. Imported cement has not been competitive in the PRC. Imported cement constitutes only a very small percentage to the total national usage. However, there is no assurance that such situation will persist in the foreseeable future and that imported cement will not pose any competition to the Group.

Environmental protection

Cement industry ranks among the biggest polluters in China, prompting increased concerns from the central government to adopt a series of environmental protection policies. Dust and waste water are produced in various stages of the cement production process. The cement operations are, therefore, subject to the state and provincial environmental laws, regulations and administrative rules. These include provisions for the prevention and treatment of water and air pollution and other industrial pollution generally. Local governments is also empowered to impose penalties on cement producer which fail to comply with the relevant requirements. In the event that new requirements are promulgated in the PRC, the cement operations may be required to incur additional expenses in relation to environmental protection, which may adversely affect its profitability.

RISKS RELATING TO THE CONCRETE INDUSTRY IN THE PRC

Competition

With more stringent environmental regulations and restrictions on the grant of permits for new batching plants, the barriers to entry for new competitors has become greater. However, there is no assurance that governmental rules or regulations will not be promulgated which may adversely affect the competitiveness of the Group's concrete operations in the PRC.

Environmental protection

Noise, dust and waste water are produced during the concrete production process. The concrete operations are subject to the state and provincial environmental laws, regulations and administrative rules. These include provisions for the prevention and treatment of water and air pollution and other industrial pollution generally. Local governments are also empowered to impose penalties on concrete producers which fail to comply with the relevant requirements. In the event that new requirements are promulgated in the PRC, the concrete operations of the Group may be required to incur additional expenses in relation to environmental protection and its profitability may be adversely affected.

RISK FACTORS

POLITICAL RISKS AND ECONOMIC CONSIDERATIONS

Risks relating to the PRC

Laws and regulations

Unlike the common law system, decisions of the PRC courts may be cited as persuasive authority but do not form binding precedent. While considerable progress has been made in the past two decades in the development of the laws and regulations dealing with the protection of foreign investors' interests for their investments in the PRC and contractual rights in dealing with domestic PRC individuals and entities, these laws and regulations are relatively new. This fact combined with the limited number of published judicial interpretations and the non binding nature of prior court decisions result in significant uncertainty in the interpretation and enforcement of such laws and regulations. There can be no assurance that the Group's business in the PRC will not be adversely affected by changes in such laws and regulations or the interpretation thereof.

Economic conditions in the PRC

Since 1978, the PRC government has embarked on a policy to transform the Chinese economy from a government planned economy to a market economy. Like other businesses which operate in the PRC market, the Group's business in the PRC could be adversely affected by changes in the PRC's state plans or political, economic and social conditions or changes in the government's policies. In 2004, the PRC government has called for effective measures in macro-economic control in order to ensure steady and fast national economic growth. Following this, measures were put in place to restrict lending to specific sectors of the economy in China, with particular emphasis on industrial commodities such as steel and cement. The Company believe that financial institutions in the PRC have tightened up their credit control requirements and procedures as a result of these macro-economic measures. The political, economic and social conditions in the PRC may alter in response to internal or external factors that are hard to predict. New regulations or policies or the readjustment of previously implemented regulations could require the Group to change its business plan, increase its costs or limit its ability to sell products and conduct activities in the PRC, which could adversely affect its business and operating results.

RISK FACTORS

Currency conversion and exchange rate risks

For the three years ended 31 December 2003, approximately 25.4%, 56.3% and 62.8% respectively of the Group's combined turnover was denominated in Renminbi. Since the introduction of the unified floating rate system in 1994, movements in the exchange rate of Renminbi against other major currencies, such as the Hong Kong dollar are, to certain extent subject to market forces. Despite such developments, Renminbi is still not a freely convertible currency. In addition, there is no assurance that Renminbi will not be subject to depreciation or appreciation due to administrative or legislative intervention by the PRC government or adverse market movements or that shortages in the availability of the foreign currency will not develop. The value of the profitability of the future operations of the Group may be adversely affected by any devaluation of Renminbi.

Risk relating to Hong Kong

Political and economic factors

Sales of the Group's concrete and related products are largely dependent on the condition of building and construction industry and general economic conditions in Hong Kong. Since the Asian financial turmoil occurred in 1997, Hong Kong has experienced a significant downturn which has resulted in, among other things, declines in the value of properties and reduced economic growth and hence the Group's business has been adversely affected. In addition, the outbreak of SARS in 2003 had generally exerted considerable direct adverse impact on the Hong Kong economy. Presently, the economy of Hong Kong appears to have stabilised and have been gradually recovering. However, there is no assurance that the recovery will continue.

There is no assurance that the present political and economic environment in Hong Kong will remain unchanged. Future developments in the political and economic environment in Hong Kong may have a material and adverse effect on the business, results of operations and financial position of the Group.

GENERAL

Each of the Issuer and the Company believes that the risk factors described above are the principal risks inherent in the transaction for Bondholders, but the inability of the Issuer to pay principal on, or other amounts payable pursuant to, the Bonds or other events of default may occur for other reasons and neither the Issuer nor the Company represents that the above statements of the risks of holding the Bonds are exhaustive. While the various structural elements described in this Prospectus are intended to mitigate some of these risks for Bondholders, there can be no assurance that these measures will be sufficient or effective to ensure payment to Bondholders of principal on, or any other amounts in respect of, the Bonds on a timely basis or at all.

INFORMATION ABOUT THIS PROSPECTUS

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus includes particulars given in compliance with the Listing Rules and the Securities and Futures (Stock Market Listing) Rules, to the extent applicable, for the purpose of giving information with regard to the Issuer and the Company. The directors of Issuer and the Company collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Issuer and the Company have applied to the Listing Committee for the listing of, and permission to deal in, respectively, the Bonds and the Conversion Shares. The listing approval for the Conversion Shares has been granted.

If the conditions precedent of the Clawback Offer are not fulfilled, listing of the Bonds on the Stock Exchange will not take place.

None of the Conversion Shares and the Bonds will be listed or dealt in on any other stock exchange outside Hong Kong. Save as disclosed below, none of the securities of the Issuer and the Company is listed or dealt in, nor is any listing of or permission to deal in securities of the Issuer and the Company being or proposed to be sought, on any stock exchange other than the Stock Exchange.

PROCEDURE FOR ACCEPTANCE AND APPLICATION FOR THE CLAWBACK OFFER

The procedure for acceptance and application for the Bonds under the Clawback Offer is set out in the paragraph headed "Procedures for acceptance and application" of this Prospectus and in the Application Forms.

RESTRICTIONS ON THE CLAWBACK OFFER

This Prospectus is also sent or delivered to the Overseas Shareholders for information purposes only and the Overseas Shareholders should note that this Prospectus does not constitute an offer or invitation thereto on behalf of the Issuer or the Company, Anglo Chinese, any other party involved in the Clawback Offer or their respective directors and officers to apply for or to take up any Bond.

INFORMATION ABOUT THIS PROSPECTUS

BONDS WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Bonds on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonds on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

A transaction levy of 0.005%, an investor compensation levy of 0.002% and a trading fee of 0.005%, of the consideration of the Bonds traded will be chargeable on both the buyer and the seller. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements may affect their rights and interest.

All necessary arrangements have been made for the Bonds to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE BONDS

Listing of, and dealings in, the Bonds on the Stock Exchange are expected to commence on or around 2 March 2005.

The Bonds will be traded in units of HK\$100.00 each in principal amount and each trading lot of Bonds has 40 units.

PROFESSIONAL TAX ADVICE RECOMMENDED

Qualifying Shareholders, particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities, should consult their own tax advisers regarding the tax consequences of an investment in the Bonds. It is emphasised that none of the Issuer, the Company, Anglo Chinese, any other parties involved in the Clawback Offer or their respective directors or officers accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchases, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Bonds.

Under existing Hong Kong law, repayments of principal and payment of interest in respect of the Bonds may be made without withholding for or on account of any Hong Kong taxes. In addition, no tax is withheld in Hong Kong in respect of any gains arising from resale of Bonds. This statement does not purport to be comprehensive and does not constitute legal or tax advice.

STAMP DUTY

All the Bonds will be registered on the Bonds register of the Issuer maintained in Hong Kong. Dealings in Bonds on that register will be subject to Hong Kong stamp duty.

DIRECTORS OF THE ISSUER

Name	Address	Nationality
Mr. Shi Shanbo	Room 3904, Block A Causeway Centre 28 Harbour Road Wanchai Hong Kong	Chinese
Ms. Zhou Junqing	Employee Dormitory Dongguan Huarun Cement Manufactory Co., Ltd Fulusha Guanli District Shatian Town, Dongguan City Guangdong Province PRC	Chinese
Mr. Zhou Longshan	Room 2004, Block A Causeway Centre 28 Harbour Road Wanchai Hong Kong	Chinese
Mr. Lau Chung Kwok Robert	Flat 18A, Block 15 South Horizons Apleichau Hong Kong	Canadian

For the detail description of each of the directors of the Issuer, please refer to the section headed “Particulars of the Directors” in the Appendix IV to this Prospectus.

DIRECTORS OF THE COMPANY

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Qiao Shibo	Suite A, 10/F Apartment Building 20 Baishida Phase II Taian Road Luohu District Shenzhen PRC	Chinese
Mr. Shi Shanbo	Room 3904, Block A Causeway Centre 28 Harbour Road Wanchai Hong Kong	Chinese
Ms. Zhou Junqing	Employee Dormitory Dongguan Huarun Cement Manufactory Co., Ltd Fulusha Guanli District Shatian Town, Dongguan City Guangdong Province PRC	Chinese
Mr. Zhou Longshan	Room 2004, Block A Causeway Centre 28 Harbour Road Wanchai Hong Kong	Chinese
Ms. Sun Mingquan	Room 1258, Block B Ming Yuen Mansion Phase 2 Peacock Road North Point Hong Kong	Chinese
Mr. Zheng Yi	Room 964, Block B Ming Yuen Mansion Phase 2 Peacock Road North Point Hong Kong	Chinese

DIRECTORS OF THE COMPANY

Name	Address	Nationality
<i>Non-executive Directors</i>		
Mr. Jiang Wei	Room 3206, Block D Fortress Metro Tower 238 King's Road North Point Hong Kong	Chinese
Mr. Keung Chi Wang, Ralph	Flat B, 33rd Floor Visalia Garden 48 Macdonnell Road Hong Kong	British
<i>Independent non-executive Directors</i>		
Mr. Chan Mo Po, Paul	Flat B, 23rd Floor Tower 7, Leighton Hill 2B Broadwood Road Happy Valley Hong Kong	British
Mr. Lin Zongshou	Room No. 101 Faculty Dormitory Building No. 306 Wuhan University of Technology Wuhan Hubei Province PRC	Chinese
Mr. Lui Pui Kee, Francis	Flat 1603, 16th Floor May Tower I 5-7 May Road Hong Kong	British

For the detail description of each of the Directors, please refer to the section headed "Particulars of the Directors" in the Appendix IV to this Prospectus.

PARTIES INVOLVED IN THE CLAWBACK OFFER

Sponsor	Anglo Chinese Corporate Finance, Limited 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers as to Hong Kong law	Richards Butler 20th Floor, Alexandra House 16–20 Chater Road Central Hong Kong
Legal advisers as to Cayman Islands law	Maples and Calder 1504 One International Finance Centre 1 Harbour View Street Hong Kong
Legal advisers as to British Virgin Islands law	Harney Westwood & Riegels Craigmuir Chambers P.O. Box 71 Road Town, Tortola British Virgin Islands
Auditors and reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Shares registrar and transfer office and Bonds registrar and transfer office	Standard Registrars Limited Ground Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong

CORPORATE INFORMATION OF THE ISSUER

Registered office	P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola, British Virgin Islands
Auditors and reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Authorised representatives	Shi Shanbo Zhou Longshan
Bonds registrar and transfer office	Standard Registrars Limited Ground Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong

CORPORATE INFORMATION OF THE ISSUER

SHARE AND LOAN CAPITAL

The following table sets forth the share and loan capital of the Issuer as at the Latest Practicable Date (as adjusted to reflect the issue of the Bonds):

	Unaudited As at the Latest Practicable Date <i>US\$</i>
<i>Authorised</i>	
50,000 share of US\$1.00	50,000.00
<i>Issued share capital</i>	
1 share of US\$1.00	1.00
<i>Loan capital</i>	
The Bonds*	102,564,102.60
Total capitalisation	102,564,103.60

Notes: * An aggregate principal amount of HK\$800,000,000 (equivalent to US\$102,564,102.60) of the Bonds have been issued by the Issuer

As at the Latest Practicable Date, one share of the Issuer has been issued at par, fully-paid up and held by the Company.

Other than as described above, there has been no material change in the share capital of the Issuer since the date of its incorporation.

The first financial period of the Issuer ends on 31 December 2005.

CORPORATE INFORMATION OF THE COMPANY

Registered office	P.O. Box 309 GT 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
Company secretary	Lee Yip Wah, Peter <i>Practising solicitor</i>
Audit committee	Chan Mo Po, Paul Lin Zongshou Lui Pui Kee, Francis Jiang Wei Keung Chi Wang, Ralph
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Authorised representatives	Shi Shanbo Zhou Longshan
Principal bankers	Bank of China BNP Paribas China Merchants Bank China Construction Bank Hang Seng Bank, Limited Industrial and Commercial Bank of China Standard Chartered Bank
Share registrar and transfer office	Standard Registrars Limited Ground Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong

CORPORATE INFORMATION OF THE COMPANY

Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
<u>1,000,000,000</u> Shares	<u>100,000,000.00</u>
	<i>HK\$</i>
<i>Issued and fully paid or credited as fully paid:</i>	
362,807,461 Shares in issue	36,280,746.10
400,000,000 Conversion Shares to be issued pursuant to the conversion of the Bonds (<i>Note</i>)	<u>40,000,000.00</u>
<u>762,807,461</u>	<u>76,280,746.10</u>

Note: As if the Conversion Shares had been issued as at the Latest Practicable Date

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares in issue are listed on the Stock Exchange.

All of the Conversion Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital, and with all Shares in issue as at the date of allotment and issue of the Conversion Shares. The Conversion Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Conversion Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

LETTER FROM THE BOARD OF THE COMPANY



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:

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

31 January 2005

*To Qualifying Shareholders and for information only,
the Overseas Shareholders*

Dear Sir or Madam,

**CONDITIONAL CLAWBACK OFFER MADE BY ANGLO CHINESE ON BEHALF OF
FIRSTSUCCESS INVESTMENTS LIMITED,
A WHOLLY OWNED SUBSIDIARY OF
CHINA RESOURCES (HOLDINGS) COMPANY LIMITED
TO QUALIFYING SHAREHOLDERS OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED FOR
THE ZERO COUPON CONVERTIBLE BONDS DUE 2010
IN THE AGGREGATE PRINCIPAL AMOUNT OF HK\$200.0 MILLION
ISSUED BY CHINA RESOURCES CEMENT FINANCE LIMITED AND
GUARANTEED BY AND CONVERTIBLE INTO ORDINARY SHARES OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED**

THE CLAWBACK OFFER

Background

The Directors announced on 2 December 2004 that the Company entered into the Acquisition Agreement on 29 November 2004 with its parent company, China Resources Holdings, whereby China Resources Holdings has agreed to sell and the Company has agreed to acquire the entire

LETTER FROM THE BOARD OF THE COMPANY

issued share capital of Tricot Limited, which in turn holds approximately 73.5% interest in the Pingnan Joint Venture, and the related shareholder's loan for a total consideration of approximately HK\$151.7 million. The Company will finance the Acquisition by a portion of the proceeds from the issue of the Bonds. On the same date, the Company entered into the Subscription Agreement with China Resources Holdings, under which the Subscriber, a wholly owned subsidiary of China Resources Holdings, has agreed to subscribe for the Bonds to be issued by the Issuer, a wholly owned subsidiary of the Company, and unconditionally and irrevocably guaranteed by the Company in an aggregate principal amount of HK\$800.0 million.

At the extraordinary general meeting held on 10 January 2005, all resolutions in respect of, among other things, the Acquisition Agreement and the Subscription Agreement were approved by the Independent Shareholders. Accordingly, completion of the Subscription Agreement took place on 13 January 2005 whereupon the Issuer has issued the Bonds to the Subscriber, a wholly owned subsidiary of China Resources Holdings, and the Company completed the acquisition of the entire issued share capital of Tricot Limited on the same date. Pursuant to the Subscription Agreement and approved by the Company, the Subscriber has agreed to offer in an aggregate principal amount of HK\$200.0 million Bonds to the Qualifying Shareholders.

This Prospectus sets out further information regarding the Clawback Offer, including terms and conditions of the Bonds, procedures for acceptance of the Bonds offered and for application for excess Bonds under the Clawback Offer, and financial information in respect of the Issuer and the Group.

Reasons for the Clawback Offer

In order to provide opportunity for the Independent Shareholders to participate in the future development of the Company on the same terms as the Subscriber, the Subscriber has agreed under the Subscription Agreement to offer, on terms and conditions approved by the Company, in an aggregate principal amount of HK\$200.0 million Bonds to the Qualifying Shareholders. Bonds in an aggregate principal amount of HK\$200.0 million are being conditionally offered to Qualifying Shareholders who hold board lot(s) of Shares on a pro rata basis to their shareholdings. For the conditions of the Clawback Offer, please see below the section headed "Conditions Precedent of the Clawback Offer" in this letter. Any Bonds offered but not acquired by the Qualifying Shareholders will be available for excess application by other Qualifying Shareholders.

LETTER FROM THE BOARD OF THE COMPANY

Summary of the basis of the Clawback Offer

Under the Clawback Offer, each Qualifying Shareholder who holds a board lot of Shares, being 2,000 Shares, or multiples of a board lot, is being offered on an assured basis:

Bonds in the principal amount of HK\$4,000 for every board lot of 2,000 Shares

Acceptance of the Clawback Offer must be made by completing and returning the enclosed Application Form in accordance with its provisions. The Application Form must be received by no later than 4:00 p.m. on Thursday, 17 February 2005.

Qualifying Shareholders may also apply for Bonds which are not accepted by Shareholders or which have not been allocated to any Shareholder using the enclosed Application Form.

The Bonds are registered in denomination of HK\$4,000.00 and integral multiples thereof. The board lot for trading purposes will also be HK\$4,000.00.

The price payable for Bonds in the principal amount of HK\$4,000.00, inclusive of buyer's transfer stamp duty, is HK\$4,004.00.

Subject to the terms and conditions governing the Bonds, the Bonds are convertible at any time until the Maturity Date at the option of the Bondholder into Shares at a price of HK\$2.00 per Share, as may be adjusted. The Conversion Price is at a premium of approximately 8.7% to the closing price of HK\$1.84 per Share on the Latest Practicable Date; a premium of approximately 9.0% of the average closing price of HK\$1.835 per Share for the ten trading days ending on the Latest Practicable Date; and a premium of approximately 14.4% of the average closing price of HK\$1.748 per Share for the thirty trading days ending on the Latest Practicable Date.

Any Bonds not converted shall be redeemed at their principal amount on the Maturity Date.

A more detailed description of the Bonds is given under the section headed "Terms and conditions of the Bonds" and the full terms and conditions of the Bonds are set out in Appendix I of this Prospectus.

No offer of the Bonds will be made to the Qualifying Shareholders with Shares of less than a board lot of 2,000 or in respect of any odd lot of Shares held by any Qualifying Shareholders, if they are holding more than a board lot but the holding of which is not in a multiple(s) of a board lot. However, preference will be given to those Qualifying Shareholders with less than a board lot

LETTER FROM THE BOARD OF THE COMPANY

of Shares (for the avoidance of doubt, including those who hold more than a board lot of Shares but the total holding is not in a multiple(s) of a board lot) but desire to apply for Bonds in the denomination of HK\$4,000.00. Such Qualifying Shareholders are required to apply under excess application. A Qualifying Shareholder may also apply for additional Bonds in excess of a single board lot of the Bonds in the denomination of HK\$4,000.00 or integral multiples thereof under the excess application forms. No preference will be given to such applications but they will be allocated on an equitable basis.

Applications for excess bonds may be made by completing the relevant section of the Application Form.

Transfer of Bonds under the Clawback Offer will be subject to payment of stamp duty in Hong Kong under the Stamp Duty Ordinance (Cap 117 of the Laws of Hong Kong).

Qualifying Shareholders

The Prospectus Documents will be despatched to Qualifying Shareholders only. To be qualified for the Clawback Offer, a Shareholder must:

- be registered as a member of the Company on the Record Date, being the date by reference to which amount of Bonds offered to the Shareholders under the Clawback Offer will be determined; and
- have an address in Hong Kong as its, his, her address on the register of members of the Company on the Record Date.

Overseas Shareholders

The Prospectus Documents will not be registered under the securities legislation of any jurisdiction other than Hong Kong. Accordingly, if on the Record Date a Shareholder's address on the Company's register of members is outside Hong Kong, that Shareholder cannot take part in the Clawback Offer. The Company will arrange for the despatch of the Prospectus to Overseas Shareholders for their information only, but the Company will not send Application Forms to them.

Offer price for the Bonds

The principal amount of Bonds, together with the buyers' share of stamp duty and if applicable, other levies and fees, is payable in full upon acceptance and, or application by the Qualifying Shareholder in accordance with the terms and conditions of the Clawback Offer.

LETTER FROM THE BOARD OF THE COMPANY

Status of the Conversion Shares

Upon conversion, the Conversion Shares, credited as fully paid, will rank pari passu with the then existing issued Shares. Holders of Conversion Shares will receive all future dividends and distributions which are declared, made or paid after the respective dates of conversion, as the case may be.

Conversion Shares are expected to be traded in board lots of 2,000. Dealings in Conversion Shares will be subject to the payment of stamp duty and other levies and fees in Hong Kong.

Fractions of the Bonds

Qualifying Shareholders are not entitled to purchase any fractions of the Bonds of less than a denomination of HK\$4,000.00.

Excess application for the Bonds

Qualifying Shareholders are entitled to apply for Bonds which would have been offered to the Overseas Shareholders but for the terms of the Clawback Offer mentioned herein, Bonds not allocated to the Qualifying Shareholders holding Shares of less than, or not in multiple(s) of, a board lot, any Bonds not provisionally allocated from the HK\$200.0 million Bonds under the Clawback Offer and any Bonds offered but not taken up.

Application is made by completing the relevant section of the Application Form which forms part of the Prospectus Documents. The Directors will allocate the excess Bonds at their discretion on a fair and reasonable basis, but will give preference to applications by those Qualifying Shareholders with a total holding of Shares not in multiple(s) of a board lot.

Conditions precedent of the Clawback Offer

The Clawback Offer is conditional upon, among other things:

- **the Bonds in an aggregate principal amount of not less than HK\$50.0 million having been accepted and, or applied for and allocated under excess application by the Qualifying Shareholders; and**
- **the Listing Committee granting the approval of the listing of, and the permission to deal in, the Bonds.**

If the conditions have not been fulfilled at or before 5:00 p.m. on 28 February 2005 (or such other date as China Resources Holdings and the Company may agree in writing taking into account all applicable legal and regulatory requirements), the Clawback Offer shall forthwith terminate and lapse.

As at the Latest Practicable Date, the conditions set out above have yet to be fulfilled.

Qualifying Shareholders and investors should exercise caution when applying for the Bonds and dealing in the Shares.

LETTER FROM THE BOARD OF THE COMPANY

PROCEDURES FOR ACCEPTANCE AND APPLICATION

If you are a Qualifying Shareholder, you will find an Application Form being enclosed with the Prospectus, which entitle you to accept all or part of your assured entitlement, if any, and to apply for additional Bonds, in each case, which must be in the denomination of HK\$4,000.00 or integral multiples thereof and subject to the terms and conditions set out herein and in the Application Form.

Stamp Duty

Buyers' stamp duty calculated at the rate of HK\$1.00 for every HK\$1,000.00 of the principal amount of Bonds is payable in full, subject to refund, upon acceptance and, or application by the Qualifying Shareholders. This means that for every Bonds in the denomination of HK\$4,000.00 being accepted and, or applied for, Qualifying Shareholders should pay a total of HK\$4,004.00. The Application Forms have tables showing the exact amount payable for multiples of Bonds in the denomination of HK\$4,000.00. Against payment of such amounts of stamp duty and upon the Clawback Offer having become unconditional, they will be paid by the Subscriber to Stamp Duty Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Acceptance of offer

To accept such amount of Bonds which is less than your assured offer, a Qualifying Shareholder should state the amount of Bonds which must be in the denomination of HK\$4,000.00 or integral multiples thereof that such shareholder wishes to accept and the corresponding total amount payable in the appropriate spaces provided in the Application Form.

As a Qualifying Shareholder, if you wish to accept the exact amount of Bonds offered as set out in your Application Form, that is your assured entitlement of Bonds, you should still state the total amount of the Bonds offered to you in the appropriate space provided in the Application Form.

No receipt will be issued in respect of any monies received for the acceptance.

Application for excess Bonds

To apply for any amount of Bonds which is more than your assured entitlement, if any, as set in your Application Form, you should complete the total amount of Bonds you wish to apply including your assured entitlement, if any, in the appropriate space provided in the Application Form.

LETTER FROM THE BOARD OF THE COMPANY

You will be notified of any allocation of excess Bonds made to you. If no excess Bonds are allocated to you, it is expected that the amount tendered on application, together with the respective buyers' stamp duty will be refunded to you in full without interest by means of a cheque despatched by ordinary post to you by no later than Friday, 25 February 2005 at your own risk. If the amount of excess Bonds allocated to you is less than that applied for, it is expected that the surplus application monies, together with the respective buyers' stamp duty will also be refunded to you by means of a cheque despatched by ordinary post to you, without interest, by no later than Friday, 25 February 2005, at your own risk. Any such cheque will be drawn in favour of the applicant(s) named on the Application Form.

Certificates of the Bonds

Subject to fulfilment of the conditions of the Clawback Offer, certificates of the Bonds are expected to be posted on or before Friday, 25 February 2005 to those Qualifying Shareholders who have validly accepted or applied and paid for the Bonds at their own risks. No fractional Bonds will be transferred from the Subscriber to the Qualifying Shareholders under the Clawback Offer.

General

In respect of the amount of Bonds that you wish to purchase, a Qualifying Shareholder must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with the remittance, for full amount payable on acceptance of or application for the Bonds with the Registrar, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 17 February 2005. All remittance(s) must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "China Resources (Holdings) Company Limited – Clawback Offer Account" and crossed "Account Payee Only".

It should be noted that unless the Application Form together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on Thursday, 17 February 2005 by a Qualifying Shareholder, his, her, its entitlement and, or application under the Clawback Offer will be deemed to have been declined or as the case may be, deemed invalid and the offer thereto will lapse accordingly.

All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any Application Form in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements and, or application of the Qualifying Shareholder under the Clawback Offer will be deemed to have been declined or as the case may be, deemed invalid and the offer thereto will lapse accordingly.

LETTER FROM THE BOARD OF THE COMPANY

If the conditions of the Clawback Offer are not fulfilled and the Clawback Offer lapses accordingly, the monies will be refunded, without interest, by sending a cheque made out to the relevant Qualifying Shareholders and crossed “Account Payee Only”, through ordinary post at the risk of the Shareholder(s) to the address specified in the register of members of the Company on or before Friday, 25 February 2005.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any monies received for acceptance of any of the Bonds offered and, or, application for excess Bonds.

LETTER FROM THE BOARD OF THE COMPANY

INFORMATION ABOUT THE ISSUER

The Issuer was incorporated in the British Virgin Islands with limited liability on 5 November 2004.

The Issuer has no employees as at the Latest Practicable Date and will have no employees.

Certain of the affairs of the Issuer (including the preparation of the necessary books of account and records and certain other corporate, secretarial and administrative services) will be managed by Mr. Lau Chung Kwok Robert, a director of the Issuer.

The objects of the Issuer as set out in its memorandum of association include, among other things, as of the Latest Practicable Date, to lend and advance money and grant and provide credit and financial or other accommodation to any person, firm or company; to borrow or raise money in such manner as the Issuer shall think fit and in particular by the issue (whether at par or at a premium or discount and for such consideration as the Issuer may think fit) of bonds, debentures or debenture stock, mortgages or charges, perpetual or otherwise, and if the Issuer thinks fit charged upon all or any of the Issuer's property, (both present and future), and undertaking including its uncalled capital and further, if so thought fit, convertible into any stock or shares of the Issuer or any other company, and collaterally or further to secure any obligations of the Issuer by a trust deed or other assurance.

The Issuer has not engaged, since its incorporation, in any material activities other than those regarding or incidental to the issue of the Bonds, and the matters contemplated in this Prospectus and the authorisation of its entry into the other documents referred to in this Prospectus to which it is or will be party.

As at the Latest Practicable Date:

- (1) the Issuer has no other outstanding options, warrants or convertible securities other than the Bonds;
- (2) the Issuer has no bank overdrafts or other similar indebtedness; and
- (3) the Issuer has no hire purchase commitments, guarantees or other material contingent liabilities.

The preliminary expenses of the Issuer are estimated to be approximately HK\$10,000.00 and are payable by the Company.

LETTER FROM THE BOARD OF THE COMPANY

INFORMATION OF THE COMPANY AND THE GROUP

The full name of the Company is China Resources Cement Holdings Limited

The Company was incorporated in the Cayman Islands under the Companies Law (2002 Revision) of the Cayman Islands as an exempted company with limited liability on 13 March 2003 and the Shares are listed on the Main Board of the Stock Exchange. The business of the Group includes production, distribution and sale of cement, concrete, mortars and shotcrete in Hong Kong and the PRC.

Financial effect of the Bonds on the Group

Based on the unaudited pro forma consolidated statement of assets and liabilities as set out in appendix III to the Circular, the unaudited consolidated net tangible assets of the Group immediately after the completion of the Acquisition and issue of Bonds is approximately HK\$1,004.0 million.

Based on 362,807,461 Shares in issue, the unaudited pro forma consolidated net tangible assets per Share immediately after the completion of the Acquisition and issue of Bonds is approximately HK\$2.77.

For the two years ended 31 December 2003, the Group's unaudited pro forma combined net profit amounted to approximately HK\$72.8 million and approximately HK\$49.3 million respectively.

Financial and trading prospects of the Group

The unaudited pro forma combined turnover of the Group for the two years ended 31 December 2003 amounted to approximately HK\$899.5 million and HK\$1,070.2 million respectively which comprised the sales of cement and concrete products in Hong Kong and in the PRC.

The Group's unaudited pro forma combined net profit amounted to approximately HK\$72.8 million and approximately HK\$49.3 million for the two years ended 31 December 2003 respectively. The unaudited pro forma earnings per Share for the two years ended 31 December 2003 were HK\$0.201 and HK\$0.136 respectively. The drop in unaudited pro forma combined net profit was attributable to the significant drop in selling price of concrete in Hong Kong and the increase in manufacturing costs for the cement business.

LETTER FROM THE BOARD OF THE COMPANY

Effect on the share capital of the Company as a result of conversion

Based on the initial conversion price of HK\$2.00 per Share and assuming full conversion of the Bonds, the Bonds will be convertible into 400,000,000 Shares, representing approximately 110.3% of the number of issued Shares as at the Latest Practicable Date and approximately 52.4% of the number of issued Shares as enlarged by the issue of the Conversion Shares.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the conversion of the Bonds, by reference to shareholdings as at the Latest Practicable Date:

Shareholders	Before the conversion of the Bonds		After the conversion of the Bonds (assume Qualifying Shareholders take up all the Bonds under the Clawback Offer)		After the conversion of the Bonds (assume no Qualifying Shareholders take up the Bonds under the Clawback Offer)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
China Resources Holdings	270,132,647	74.5	570,132,647	74.7	670,132,647	87.9
Public	92,674,814	25.5	192,674,814	25.3	92,674,814	12.1
	362,807,461	100.0	762,807,461	100.0	762,807,461	100.0

China Resources Holdings has undertaken to the Company and the Stock Exchange that it will not exercise its rights to convert the Bonds if such conversion would result in Shares of less than the specified percentage required by the then prevailing Listing Rules being held by the public. As at the Latest Practicable Date, this percentage is at 25% for the Company.

Conversion of the Bonds immediately following completion of the Clawback Offer will not result in a change of control of the Company.

Employees

As at 31 December 2003, the Group employed a total of 2,361 full time employees of which 288 are based in Hong Kong and the remaining 2,073 are based in the PRC. The average age of the 130 senior and middle managerial staff of the Group is about 39 years old. The Group offers its employees remuneration packages mainly on the basis of individual performance and experience and also having regard to industrial practice. The Company has established a share option scheme whereby employees of the Group may be granted options to acquire shares in the Company.

LETTER FROM THE BOARD OF THE COMPANY

USE OF PROCEEDS

The estimated net proceeds from the issue of the Bonds are approximately HK\$797.0 million and have been applied, or are presently intended to be applied, by the Company as follows:

- approximately HK\$151.7 million for the Acquisition;
- approximately HK\$195.0 million for repayment of a bank loan to the Pingnan Joint Venture;
- approximately HK\$356.6 million, being part of the funds required for development of a new cement production plant in Guigang, Guangxi, as detailed below; and
- the remaining balance of approximately HK\$93.7 million for general corporate and working capital purpose.

The Company will be responsible for the expenses which is estimated to be approximately HK\$3.0 million in connection with the issue of the Bonds, the Clawback Offer (except the stamp duty) and the listing expenses of the Bonds.

As disclosed in the interim report of the Company dated 9 September 2004, the Company has obtained approval for the construction of a 5,000 tonnes per day dry process clinker production line with an annual cement production capacity of 1,900,000 tonnes in Guigang, Guangxi. The major construction of this production line is expected to commence in the first quarter of 2005. Upon the completion of this production line at around end of 2005, the total annual cement production capacity of the Group will increase to approximately 7,100,000 tonnes. It is estimated that the total investment of the Guigang project is approximately RMB700.0 million, equivalent to approximately HK\$656.6 million, which will be financed partly by the funds raised from the issue of the Bonds and the Facility Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the Appendices to the Prospectus.

Yours faithfully,
for and on behalf of the Board
Qiao Shibo
Chairman

The Terms and Conditions of the Bonds are set out below which, save and except those in italics, will appear on the reverse of each of the definitive certificates evidencing the Bonds in substantially the same form:

The issue of the HK\$800,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2010 of China Resources Cement Finance Limited and the right of conversion into Shares were authorised by a resolution of the board of directors of the Issuer passed on 29 November 2004. The Bonds are constituted by an amended and restated instrument dated 27 January 2005 between the Issuer and China Resources Cement Holdings Limited. A copy of the Instrument is available for inspection at the registered office of China Resources Cement Holdings Limited at the date hereof at Room 4107, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Bondholders are bound by, and are deemed to have notice of, all the provisions of the Instrument.

The principal terms and conditions of the Bonds are set out below, for which purposes, the following expression shall have the following meanings:–

“Amended and Restated Instrument”	means the amended and restated instrument dated 27 January, 2005 between the Issuer and the Guarantor, which instrument has replaced in its entirety the instrument dated 13 January, 2005 between the Issuer and the Guarantor and shall constitute the Bonds;
“Auditors”	means the auditors for the time being of the Guarantor or, if they are unable or unwilling promptly to carry out any action requested of them under this Amended and Restated Instrument, such other firm of accountants as may be nominated by the Guarantor and approved in writing by an Extraordinary Resolution of the Bondholders;
“Banks”	means Bank of China (Hong Kong) Limited, BNP Paribas, Hang Seng Bank Limited and Standard Chartered Bank (Hong Kong) Limited and shall, where the context permits, include their respective lawful transferees, successors and assigns;
“Banking Facilities”	means the banking facilities granted to the Guarantor under the Facility Agreement;
“Board”	means the board of directors of the Issuer;

“Bonds”	means the convertible bonds due 2010, in the aggregate principal amount of HK\$800 million, issued by the Issuer on and subject to these Conditions. Where the context requires, a “Bond” also refers to unit(s) of a Bond as may be issued or created from time to time pursuant to Condition 1(A);
“Closing Date”	means the date of issue of the Bonds;
“Conditions”	means the terms and conditions incorporated into the Amended and Restated Instrument in substantially the form set out below;
“Conversion Price”	means HK\$2.00, representing a premium of approximately 8.2% of the average closing price per Share on the Hong Kong Stock Exchange for the 3 month period ending on the date of the Subscription Agreement, subject to adjustment in accordance with Condition 6(C);
“Extraordinary Resolution”	means a resolution passed at a meeting of Bondholders duly convened and held in accordance with these provisions by a majority consisting of not less than three-fourths of the votes cast at such meeting;
“Facility Agreement”	means the transferable term loan facility agreement dated 25 October 2004 and made between the Guarantor and the Banks;
“Finance Documents”	has the meaning ascribed thereto in the Facility Agreement;
“Guarantor”	means China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands;
“HIBOR”	means the applicable three months’ Hong Kong Interbank Offered Rate as appeared on the Reuters Screen on the first business day of the calendar quarter in which the payment obligation first arises;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

- “Issuer”** means China Resources Cement Finance Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Guarantor;
- “Listing Rules”** means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
- “Principal Office”** means the principal place of business of the Guarantor in Hong Kong, being Room 4107, 41/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or such other address as may be notified to Bondholders from time to time;
- “Shareholder”** means the person in whose name a Share is registered;
- “Subscription Agreement”** means the agreement dated 29 November, 2004 between the Issuer, the Guarantor, Firstsuccess Investments Limited as subscriber and China Resources (Holdings) Company Limited as subscriber guarantor;
- “Subsidiary”** means, in respect of any person, any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or regulations and under generally accepted accounting principles in Hong Kong from time to time, should have its accounts consolidated with those of that person; and
- “Transfer Office”** means the Principal Office or in the event the Bonds are listed on the Hong Kong Stock Exchange, the offices of the share registrar of the Guarantor from time to time.

1 FORM, DENOMINATION AND TITLE**(A) Form, Denomination and Unit Value**

The Bonds are to be issued in registered form in the denomination of HK\$4,000.00 each or integral multiples thereof, without coupons.

In preparation for the listing of the Bonds on the Hong Kong Stock Exchange or any Alternative Stock Exchange, a Bond may be divided into units (each an “**Unit**”) of equal principal amount (the “**Unit Value**”) as the Board may deem appropriate for the purposes of the trading or quotation of the Bonds on such relevant stock exchange. Accordingly, fractions of a Bond of a Unit Value or a whole multiple thereof may be issued or created and a fractional Bond so issued or created shall have the corresponding fractional liabilities, limitations, references, privileges, qualifications, restrictions, rights and other attributes of a whole Bond, save and except that no voting rights are attached to any fractions of a Bond. For the avoidance of doubt, fractions of a Bond not in a Unit Value or integral multiples thereof shall be disregarded in determining the rights and liabilities of the holders of such fractional Bonds. The Bonds are divided into Units of an initial Unit Value of HK\$100.00 hereunder and the Issuer may by notice to Bondholders vary the Unit Value as it deems appropriate.

A certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register (as defined in Condition 4). The Bonds shall be fungible in nature.

(B) Title

Title to the Bonds passes only by registration as described in Condition 4. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” shall mean the person in whose name a Bond is registered in the Register. The holder of a Bond will (except as otherwise required by law) be treated at all times, by all persons and for all purposes as its absolute owner, whether or not it is overdue and notwithstanding any notice of ownership, trust or any interest in it or any writing thereon or the loss or theft of the Certificate issued in respect of it.

2 STATUS

Status of the Bonds

The Bonds are to constitute (subject to Condition 3) direct, unconditional, and unsecured obligations of the Issuer and shall rank at all times *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee (as defined in Condition 3) shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3, at all times rank at least equally with all of their respective other present and future unsecured obligations.

Amounts owing under the Bonds shall be subordinated and subject in right of payment to the prior payment in full of all amounts owing at any time and from time to time by the Guarantor to the Banks under the Finance Documents and to any Future Indebtedness (as defined in Condition 12), as more specifically described in the Amended and Restated Instrument.

3 GUARANTEE

The due payment of all sums expressed to be payable by the Issuer under the Amended and Restated Instrument and the Bonds is to be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor in that respect (the “**Guarantee**”) are to be contained in the Amended and Restated Instrument.

4 REGISTRATION AND TRANSFERS

(A) The Register

The Issuer will cause to be kept at the Transfer Office a register (the “**Register**”) on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding. The Issuer may by notice to Bondholders transfer the Register to any other places (whether in Hong Kong or elsewhere) as it deems appropriate.

(B) Transfers

A Bond (for the avoidance of doubt, including any Unit(s) of a Bond) may be transferred by delivering the Certificate issued in respect of that Bond, with the form of transfer (in the form set out in Schedule 2 to the Amended and Restated Instrument or in the event the Bonds are listed on the Hong Kong Stock Exchange or any Alternative Stock Exchange, in such other appropriate form as the Board may approve) to be obtained from the Transfer Office duly completed and signed, to the place where the Register is kept. No transfer of title to any Bond will be effective unless and until entered on the Register. For the avoidance of doubt, transfer of fractional Bonds not in a whole Unit or Units is not permitted.

The form of transfer shall be executed by or on behalf of the transferor and by or on behalf of the transferee PROVIDED that the Board may dispense with the execution of the form of transfer by the transferee in any case which it thinks fit in its discretion to do so. The form of transfer of any Bonds shall be executed with a manual signature or facsimile signature (which may be machine imprinted or otherwise) by or on behalf of the transferor and transferee PROVIDED that in the case of execution by facsimile signature by or on behalf of a transferor or transferee, the Board shall have previously been provided with a list of specimen signatures of the authorised signatories of such transferor or transferee and the Board shall be reasonably satisfied that such facsimile signature corresponds to one of those specimen signatures.

Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Board for this purpose), the transfers may be executed under the hands of the authorised person(s) of HKSCC Nominees Limited or its successor or by machine imprinted signature(s) on its behalf or of such person (s) as permitted hereunder, as the case may be.

Subject to the listing of the Bonds on the Hong Kong Stock Exchange and their admission to Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited, so far as the applicable laws or regulations of relevant regulatory authorities, terms of the Amended and Restated Instrument and circumstances permit, the Company may determine the last trading day of the Bonds to be a date at least three trading days before the Maturity Date, being 14 January 2010.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within ten Business Days (as defined below), or such longer period as may be required to comply with any applicable fiscal or other laws or regulations, of receipt by the Guarantor of the duly completed and signed form of transfer, be made available for collection at the Transfer Office or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds (but free of charge to the holder) to the address specified in the form of transfer.

Where only some of the Bonds in respect of which a Certificate is issued are to be transferred, converted or redeemed, a new Certificate in respect of the Bonds not so transferred, converted or redeemed will, within ten Business Days (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) of the delivery of the original Certificate to the Guarantor, be made available for collection at the Transfer Office free of charge or, if so requested by the holder, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted or redeemed (but free of charge to the holder) to the address of such holder appearing on the Register.

In this Condition 4, “**Business Day**” shall mean a day other than a Saturday or Sunday on which banks are open for normal banking business in Hong Kong.

(D) Formalities

Registration of transfers of Bonds will be upon (i) payment (or the giving of such indemnity as the Issuer may require) in respect of any tax or other government charges which may be imposed in relation to it and (ii) the Issuer being satisfied that the regulations concerning transfer of Bonds have been complied with. All fees (if any) charged on registration of transfers of Bonds shall not exceed the maximum fees prescribed by the Hong Kong Stock Exchange from time to time under the Listing Rules.

Subject to the relevant requirements under the Listing Rules, persons who hold the Bonds and have not registered the Bonds in their own names but wish to exercise the rights attaching to the Bonds may be required to pay additional costs and expenses in connection with any expedited re-registration of the Bonds prior to the exercise of such rights, particularly during the period commencing ten Business Days prior to and including the Maturity Date.

(E) Closed Periods

No Bondholder may require the transfer of any Bonds to be registered during the period of seven days ending on the due date for any payment of principal on the relevant Bonds.

(F) Transfers to Connected Persons and Associates of the Guarantor

The transfer of Bonds to a connected person or associate of the Guarantor (in each case as defined in the Listing Rules) is not permitted, save with the prior written approval of the Guarantor.

5 INTEREST

The Bonds will not bear interest unless, upon redemption of the Bonds on the Maturity Date and/or redemption of the Bonds on the occurrence of an Event of Default, payment of the full amount due under the Bonds is improperly withheld or refused or unless default is otherwise made in respect of any such payment, in which case interest will be payable and will accrue at the prevailing HIBOR rate from time to time plus 2 per cent. per annum (after as well as before judgement) from the due date of such payment up to, but excluding, the date on which all sums due in respect of such Bond(s) are received by or on behalf of the relevant Bondholder.

6 CONVERSION**(A) Conversion Right**

- (i) Conversion Period: Subject as hereinafter provided, Bondholders are to have the right (the “**Conversion Right**”) to convert the whole or such part (being in the denomination of HK\$4,000.00 or an integral multiple thereof or where the Bonds are listed on the Hong Kong Stock Exchange or any Alternative Stock Exchange, being an Unit or an integral multiple thereof) of their Bonds into Shares (as defined below), credited as fully paid, at any time during the Conversion Period referred to below.

The exercise of any Conversion Right will be considered to be an acquisition of voting rights for the purpose of Rule 26 of the Code on Takeovers and Mergers (the “Code”) and may, subject to the requirements under the Code, give rise to an obligation of such Bondholder(s) under the said Rule 26 to make a general offer.

Subject to and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on and after the Closing Date up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the Maturity Date (but in no event thereafter) or if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date seven Business Days (in the place aforesaid) prior to the date fixed for redemption thereof (the “**Conversion Period**”).

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date (as hereinafter defined). Such number of Shares shall be rounded down to the nearest whole, and fractions of Shares will not be issued on conversion. Where fractions would otherwise fall to be issued on conversion, the Issuer or the Guarantor, as appropriate, shall not be required to make any cash payment or other compensation in lieu of the fractional entitlement of the Bondholder. On conversion the right of the converting Bondholder to repayment of the principal amount of the Bond being converted shall be extinguished and released, and in consideration and in exchange therefor the Guarantor shall allot and issue Shares credited as paid-up in full as provided in this Condition 6. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) Revival of Conversion Right after Default: Notwithstanding the provisions of Condition 6(A)(i), if there is default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, the Conversion Right attaching to such Bond will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by Bondholder and, notwithstanding the provisions of Condition 6(A)(i) and Condition 6(B)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Bondholder before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (iii) Meaning of “**Shares**”: As used in these Conditions, the expression “**Shares**” means ordinary shares of par value HK\$0.10 each of the Guarantor or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Guarantor.

(B) Conversion Procedure

- (i) Conversion Notice: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the Transfer Office a notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from the Transfer Office, together with the relevant Certificate and any amounts required to be paid by the Bondholder under Condition 6(B)(ii). A Conversion Notice once delivered shall be irrevocable.

Upon exercise of a Conversion Right, a Bondholder converting a Bond shall be required to represent and agree in the Conversion Notice that (A) at the time of signing and delivery of such Conversion Notice it or the person who has the beneficial interest in that Bond is not in the United States (within the meaning of Regulation S (“**Regulation S**”) under the U.S. Securities Act), Canada, Australia, the Republic of Ireland or Japan, and is not a U.S. person (as defined in Regulation S), and it and such person, purchased such Bond, or the beneficial

interest therein, in a transaction made in accordance with Rule 903 or Rule 904 of Regulation S (B) it and the person who has the beneficial interest in the Bond understands that the Shares have not been and will not be registered under the U.S. Securities Act and are being issued in accordance with, and subject to, the requirements of Regulation S or, if Regulation S is not available and with the consent of the Guarantor, another applicable exemption from the U.S. Securities Act and applicable state law, and in accordance with and subject to the laws of other jurisdiction; and (C) it and the person who has the beneficial interest in that Bond understands that the Shares to be issued or transferred upon Conversion of such Bond may be offered, sold, delivered, pledged or transferred by them only in compliance with the Securities Act and other applicable laws and only (1) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (2) pursuant to an applicable exemption from registration under the U.S. Securities Act and in accordance with state law and other applicable laws, and may not be deposited in any unrestricted depository receipt facility for the Shares which may exist in the United States unless and until such time as it establishes, to the satisfaction of the depository, that such Shares are no longer a restricted security within the meaning of Rule 144(a)(3) under the U.S. Securities Act and applicable state law. No Share will be delivered to a holder of a Bond or a beneficial interest therein unless each of such holder and beneficial owner satisfies the foregoing conditions. If such holder or such beneficial owner is unable or otherwise fails to satisfy the foregoing conditions, such holder may transfer its Bond or beneficial interest therein subject to compliance with Rule 903 or Rule 904 of Regulation S.

The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iii) above) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Guarantor is closed for the purpose of establishing entitlement to any dividend or other rights attaching to the Shares (a “**Book Closure Period**”), such Conversion Date shall be postponed to the first Stock Exchange Business Day after the expiry of such Book Closure Period.

“**Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which the Hong Kong Stock Exchange or an Alternative Stock Exchange (as defined in Condition 6(D) below) as the case may be are open for business.

- (ii) Stamp Duty etc.: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay to the Guarantor any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the British Virgin Islands, Hong Kong, the Cayman Islands and, if relevant, in the place of the Alternative Stock Exchange, by the Guarantor in respect of the allotment and issue of Shares and listing of the Shares on conversion) and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Guarantor will pay all other expenses arising on the issue of Shares on conversion of Bonds.
- (iii) Registration: As soon as practicable, and in any event not later than 14 days after the Conversion Date (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), the Guarantor will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited as required by Condition 6(B)(i) and (ii), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in its share register and will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates for such Shares to such person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

Bonds which are converted will be cancelled by removal of the Bondholder’s name from the register of Bondholders on the relevant Registration Date (as defined below). If the Conversion Price is adjusted with effect (retroactively or otherwise) from a date falling on or before the Registration Date of any Shares issued on conversion of a Bond the Bondholder’s entitlement to which was

determined on the basis of the unadjusted Conversion Price, the Guarantor will procure that the provisions of this Condition 6(B)(iii) shall be applied, mutatis mutandis, to the number of additional Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment had been given effect to as at the Conversion Date.

The person or persons specified for that purpose will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Guarantor's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will in all respects rank pari passu with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such retroactive adjustment shall have become effective), the Guarantor will pay to the converting Bondholder or his designee (as the case may be) an amount (the "**Equivalent Amount**") in Hong Kong dollars equal to any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter.

(C) Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events to be more fully set out in the Amended and Restated Instrument:–

- (i) any alteration to the nominal value of the Shares as a result of consolidation or subdivision;
- (ii) the issue of Shares by the Guarantor credited as fully paid to Shareholders (as defined in the Amended and Restated Instrument) by way of capitalisation of profits or reserves (including any share premium account), other than Shares paid up out of distributable profits or reserves and/or share premium account issued in lieu of the whole or any part of a cash dividend (a "**Scrip Dividend**"),

being a dividend which the Shareholders concerned would or could otherwise have received (but only to the extent that the Market Value of such Shares exceeds 110 per cent. of the amount of such cash dividend or the relevant part thereof) and which would not have constituted a Capital Distribution (as defined below);

- (iii) the payment or making of any Capital Distribution by the Guarantor to the Shareholders (except where the Conversion Price falls to be adjusted under Condition 6(C)(ii)).
- (iv) the issue of Shares to all or substantially all Shareholders as a class by the Guarantor by way of rights, or the issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price (as defined below) per Share on the last dealing day preceding the date of the announcement of the terms of such issue or grant;
- (v) the issue of any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by the Guarantor, by way of rights, or the grant to all or substantially all Shareholders as a class by the Guarantor by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares);
- (vi) the issue (otherwise than as mentioned in Condition 6(C)(iv)) by the Guarantor wholly for cash of any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant by the Guarantor wholly for cash of (otherwise as mentioned in this Condition 6(C)(iv)) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the last dealing day preceding the date of announcement of the terms of such issue;
- (vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this subparagraph (vii), the issue wholly for cash by the Guarantor or any Subsidiary (otherwise than as mentioned in Condition 6(C)(iv), (v) or (vi)) or (at the direction or request of or pursuant to any arrangements with the Guarantor or any Subsidiary) any other company,

person or entity of any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares issued or to be issued by the Guarantor upon conversion, exchange or subscription at a consideration per Share receivable by the Guarantor which is less than 95 per cent. of the Current Market Price on the last dealing day preceding the date of announcement of the terms of issue of such securities;

- (viii) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(vii) (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last dealing day preceding the date of announcement of the proposals for such modification;
- (ix) the issue, sale or distribution by or on behalf of the Guarantor or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Guarantor or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Guarantor or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60 per cent of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C) (iv) to (vii));
- (x) if the Guarantor determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6(C), even if the relevant event or circumstance is specifically excluded from the operation of Condition 6(C)(i) to (ix), the Guarantor shall at its own expense request an independent investment bank of international repute (acting as expert) as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination.

Where (1) the circumstances giving rise to any adjustment pursuant to this Condition 6(C) have already resulted or will result in an adjustment to the Conversion Price, or (2) the circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Conversion Price, or (3) more than one event which gives or may give rise to an adjustment occurs within such a short period of time that in the opinion of the Guarantor the foregoing provisions would need to be implemented subject to modification in order to give the intended result, such modification shall be made by the Guarantor to the operation of the provisions of this Condition 6(C) as may be advised by an independent investment bank of international repute (acting as expert) as selected by the Guarantor to be in its opinion appropriate to give the intended result.

For the purposes of this Condition 6(C):–

- (i) **“Capital Distribution”** means:–
 - (a) any distribution of assets in specie charged or provided or to be provided for in the accounts of the Guarantor for any financial period (whenever paid or made and however described) but excluding a distribution of assets in specie in lieu of, and to a value not exceeding, a cash dividend which would not have constituted an Extraordinary Dividend under (b) below (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid-up (other than Shares credited as fully paid) by way of capitalisation of reserves);
 - (b) any cash dividend or distribution charged or provided or to be provided for in the accounts of the Guarantor (whenever paid or made and howsoever described) in circumstances where the Total Current Dividend equals or exceeds, on a per share basis, 5 per cent of the One-Year Average Closing Price of the Shares, such excess constituting the **“Extraordinary Dividend”**; for which purposes:–
 - (x) **“Total Current Dividend”** means any and all cash dividends or other distributions charged or provided for in the accounts of the Guarantor, prior to the deduction of any withholding tax and any corporate tax attributable to that dividend, in the period starting from the beginning of the fiscal year in which the record date set

for the dividend that may result in an adjustment falls and ending on and including that record date (including the dividend that may result in an adjustment), other than any dividend or portion thereof which previously resulted in an adjustment under this Condition 6(C); and

- (y) “**One-Year Average Closing Price**” in respect of the Shares means the arithmetic average of the official closing price published in the Hong Kong Stock Exchange’s Daily Quotation Sheet (or the equivalent quotation sheet of an Alternative Stock Exchange, as the case may be) for one Share in respect of each trading day during the 365 consecutive day period ending on the record date set for the dividend that may result in an adjustment.
- (ii) “**Current Market Price**” means, in respect of a Share at a particular date, the average of the closing prices published in the Hong Kong Stock Exchange’s Daily Quotation Sheet (or the equivalent quotation sheet of an Alternative Stock Exchange, as the case may be) for one Share (assuming a transaction in a board lot) for the five consecutive dealing days ending on the dealing day immediately preceding such date, provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:–
- (x) if the Shares to be issued or purchased do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share (excluding any associated tax credit); and
 - (y) if the Shares to be issued or purchased rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Share (excluding any associated tax credit);

and provided further that if the Shares on each of the said five dealing days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued or purchased do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

- (iii) “**Market Value**” means, in relation to a Scrip Dividend, the price or value per Share stated in or calculated in accordance with the provisions of the circular or other document relating to the relevant Scrip Dividend issued by the Guarantor to the Shareholders and used for the purpose of determining the nominal amount of Shares to be issued by way of such Scrip Dividend but, if no such price or value per Share is so stated or calculated or if such price or value per Share as so stated or calculated was not determined or calculated as being or being the average of the closing price(s) of the Shares as derived from the Daily Quotation Sheet of the Hong Kong Stock Exchange or the equivalent quotation sheets of an Alternative Stock Exchange on one or more dealing days during the period commencing 35 days prior to and ending 10 days after the date of such circular or other document, Market Value shall mean the Current Market Price per Share on the date on which such Scrip Dividend is announced.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest one Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 16 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an independent investment bank of international repute (acting as an expert) the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such investment bank to be in their opinion appropriate in order to give such intended result.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Guarantor or any Subsidiary or any associated company of the Guarantor pursuant to the Employee Share Scheme (as defined in the Amended and Restated Instrument) or when Shares or other securities (including rights or options) are issued, offered or granted as consideration for the acquisition of any assets, equity interest or otherwise by the Guarantor.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in this Condition 6(C)(i) above or to correct an error in a previous calculation of the Conversion Price.

(D) Undertakings by the Guarantor

The Guarantor is to undertake in the Amended and Restated Instrument that so long as any Bond remains outstanding it will use all reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange and (c) if the Guarantor is unable to obtain or maintain such listing, to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on any other stock exchanges (each an “**Alternative Stock Exchange**”) as the Guarantor may from time to time (with the approval of an Extraordinary Resolution of the Bondholders) determine and will forthwith give notice to the Bondholders in accordance with Condition 16 of the listing or delisting of the Shares (as a class) by any of such stock exchanges.

The Guarantor has undertaken in the Amended and Restated Instrument to pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds.

The Guarantor has also given certain other undertakings in the Amended and Restated Instrument for the protection of the Conversion Rights.

(E) Conversion by Extraordinary Resolution of the Bondholders

Subject as provided in the Amended and Restated Instrument, the Bondholders may by Extraordinary Resolution (within the period which commences on the date which is seven days prior to the date fixed for redemption by the Issuer of any of the Bonds pursuant to Condition 8(B) or (C) and ends at the close of business on the day (other than a Saturday or Sunday) on which banks are open for normal banking business in Hong Kong which falls immediately prior to the date so fixed for redemption or, (as applicable) where the Bonds have become repayable as a result of an Event of Default (as defined below) on the date which is the last day on which the Conversion Right could be exercised by a Bondholder), elect by notice in writing to the Issuer to exercise the Conversion Rights attaching to all (but not some, only) of the Bonds outstanding on such date which have not been duly surrendered for redemption by the close of business in Hong Kong on the date of receipt of such notice by the Issuer, as if such Bonds had been converted on the eighth day prior to such redemption date or on such last day, as the case may be, if:–

- (i) the net proceeds of sale of the Shares deliverable upon such conversion (disregarding any liability to taxation consequent thereon), together with any cash amount payable upon exercise, would be likely to exceed the Redemption Price which would otherwise be payable in respect of such Bonds at such time; and
- (ii) all (if any) necessary consents have been obtained.

Any such Shares shall be sold by such party or parties as the Bondholders shall appoint in the relevant Extraordinary Resolution which shall not be liable for any loss occasioned thereby, as soon as practicable and the net proceeds of sale and/or any such cash amounts shall, after deducting therefrom the expenses incurred by the aforesaid appointee(s) in connection with the sale and such amount (if any) as such appointee(s) shall determine to be necessary to indemnify it or them against any liability to taxation arising from the sale, shall be paid rateably and equally to the holders of the said unsurrendered Bonds against due surrender thereof in accordance with Condition 10.

In exercising its powers under this Condition 6(E) the aforesaid appointee(s) shall have regard to the economic interests of the holders of the said unsurrendered Bonds as a class and to no other considerations.

(F) Public Float

The Conversion Rights in connection with each Bond may only be exercised by a Bondholder to the extent that upon such exercise, at least 25 per cent (or such other percentage as may be required under the Listing Rules as the applicable minimum prescribed percentage) of the Guarantor's total issued share capital will be held by the public (as defined under the Listing Rules).

(G) Placings to Make Repayments under the Facility Agreement

Notwithstanding any provision of these Conditions no adjustment shall be made to the Conversion Price as a result of any placing undertaken for the purpose of repaying amounts outstanding under the Facility Agreement.

7 UNDERTAKINGS

The Guarantor is to undertake in the Amended and Restated Instrument, inter alia, that whilst any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Amended and Restated Instrument) of the Bondholders:

- (i) the Issuer shall remain a direct or indirect wholly-owned Subsidiary of the Guarantor; and
- (ii) it will procure that the Issuer will not carry on any business activity whatsoever other than in connection with the Bonds (which shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds to the Guarantor or any of the Guarantor's Subsidiaries) and, in particular, will not incur any indebtedness (other than to the Guarantor or the Guarantor's Subsidiaries), save as expressly provided herein.

8 REDEMPTION FORCED CONVERSION AND PURCHASE**(A) Redemption at Maturity**

Unless previously redeemed, converted or purchased and cancelled as herein provided, the Issuer will redeem the Bonds on the date following five years after the Closing Date (the "**Maturity Date**") at their principal amount. The Issuer may not redeem the Bonds at its option prior to that date except as provided in Conditions 8(B) and 8(C) below. The Bonds may not be redeemed at the option of the Bondholders.

Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds to which such notice relates at the price aforesaid applicable at the date fixed for such redemption, together with interest accrued to the date of redemption, where applicable.

(B) Redemption for Taxation Reasons

The Bonds may be redeemed at their Redemption Price at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice in accordance with Condition 16 (which notice shall be irrevocable) if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay any additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of this Amended and Restated Instrument and (ii) such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it (but provided that such measures do not involve the Issuer or the Guarantor incurring material expenses), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, as the case may be, the Guarantor) would be obliged to pay such additional amounts were a payment then due. Prior to the publication of any notice of redemption pursuant to this Condition 8(C), the Issuer (or, as the case may be, the Guarantor) shall deliver to the Bondholder a certificate stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it in which event it shall be conclusive and binding on the Bondholders.

(C) Redemption or Forced Conversion at the Option of the Issuer

The Guarantor may at its option by giving not less than 15 nor more than 30 days' notice in accordance with Condition 16 (which notice shall be irrevocable) either (i) require the Bondholders to exercise their Conversion Right in respect of all and any Bonds then held by them or (ii) redeem all and any Bonds then in issue at the Redemption Price where either (xx) the average closing price per Share on the Hong Kong Stock Exchange (which means the arithmetic average of the official closing price published in the Hong Kong Stock Exchange's Daily Quotation Sheets (or such equivalent quotation sheets of an Alternative Stock Exchange, as the case may be) for one Share) over the 30 trading days preceding the date of such notice or the latest practicable date prior to publication of the notice for the purposes of this Condition 8(C) (the "Reference Date") is greater than 150 per cent of the

Conversion Price in effect as at the Reference Date or (yy) where the aggregate principal amount of all Bonds then in issue and outstanding is less than HK\$30 million, (and where any Bondholder fails to deposit a Conversion Notice in respect of any such conversion a Conversion Notice shall be deemed to have been deposited by it seven days after service of the notice referred to in this Condition 8(C)), provided that no Bondholder shall be obliged to convert any Bonds held by it if such conversion would cause the Shares held by the public (as defined in the Listing Rules) to fall below 25 per cent of the issued share capital of the Guarantor or such other applicable minimum prescribed percentage of public float under the Listing Rules.

(D) Purchase

The Issuer, the Guarantor or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price.

(E) Cancellation

All Bonds redeemed, converted or purchased by the Issuer, the Guarantor or any of its Subsidiaries will be cancelled forthwith and may not be reissued or resold.

(F) Redemption Notices

All redemption notices given to Bondholders by or on behalf of the Issuer pursuant to this Condition 8 will specify (i) the Redemption Price, (ii) the Conversion Price as at the date of the relevant notice, (iii) the closing price per Share on the Hong Kong Stock Exchange as quoted in the Hong Kong Stock Exchange's Daily Quotation Sheet (or such equivalent quotation sheet of an Alternative Stock Exchange) (if any) of the Shares as at the latest practicable date prior to the publication of the notice and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the relevant notice, (iv) that on the redemption date, the Redemption Price of any Bond to be redeemed will become due and payable on such date and (v) the place where Certificates are to be surrendered.

(G) Public Float

The Conversion Rights in connection with each Bond may only be exercised by a Bondholder to the extent that upon such exercise, at least 25 per cent (or such other percentage as may be required under the Listing Rules as the applicable minimum prescribed percentage) of the Guarantor's total issued share capital will be held by the public (as defined under the Listing Rules).

9 TAXATION

All payments made by the Issuer (or, as the case may be, the Guarantor) under or in respect of the Amended and Restated Instrument or the Bonds will be made without any deduction of, or withholding for, any present or future taxes, levies, imposts, duties, fees or charges of whatever nature (“**Taxes**”) levied or imposed in the British Virgin Islands, the Cayman Islands or Hong Kong or by any authority therein or thereof having power to tax unless such deduction or withholding is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in the amounts receivable by the Bondholders after such deduction or withholding being equal to the amounts that would have been so receivable had no such deduction or withholding been made, provided that no such additional amount shall be payable in respect of any payment in respect of any Bond:–

- (a) to or on behalf of a holder who is (i) liable to such Taxes in respect of such Bond by reason of his having some connection with the British Virgin Islands, the Cayman Islands or Hong Kong other than the mere holding of such Bond or (ii) able to avoid such withholding or deduction by making a declaration of non-residence or a similar claim for exemption to the relevant tax authority or providing other reasonable information regarding the holder’s identity; or
- (b) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on surrendering the relevant Certificate for payment in accordance with Condition 10(A) on the last day of such 30-day period.

For the purposes of these Conditions, “**Relevant Date**” means the date on which such payment first becomes due, except that if the full amount of the moneys payable has not been duly received by the Bondholders on or prior to such due date, it means the date on which, the full amount of such moneys having been received, notice to that effect shall have been duly published in accordance with Condition 16.

References in these Conditions to principal, premium (if any) and interest (if any) shall be deemed also to refer to any additional amounts which may be payable under these Conditions or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Amended and Restated Instrument.

10 PAYMENTS**(A) Principal**

Payments will be made in Hong Kong dollars against surrender of the relevant Certificate at the Principal Office or such other place in Hong Kong as specified in any notice given by the Guarantor to Bondholders in accordance with Condition 16.

(B) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(C) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal, if later, on the Business Day on which the relevant Certificate is surrendered in accordance with Condition 10(A).

(D) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if, and to the extent that, the due date is not a Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(E) Business Day

In this Condition only, “**Business Day**” means, in any place, a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong.

(F) Annotation of Register

If the amount of principal or premium, if any, which is due on the Bonds is not paid in full, the Issuer will annotate the Register and will enface the Bonds with a record of the amount of principal or premium, if any, in fact paid.

(G) Rounding

When making payments to Bondholders, fractions of one cent will be rounded down to the nearest cent.

11 PRESCRIPTION

Claims in respect of principal and other sums payable in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal and premium, if any) and five years (in the case of interest and other sums) from the Relevant Date (as defined in Condition 9).

12 SUBORDINATION

- (A) Notwithstanding any other Conditions herein, the Bonds are subject to the following terms of subordination so long as the Banking Facilities remain valid and subsisting:
- (i) the Bonds are subordinated and subject in right of payment to the prior payment in full of all amount(s) owing at any time and from time to time by the Guarantor to the Banks under all the Finance Documents (the “**Liabilities**”) and accordingly the Banks shall be entitled to receive payment in full of all Liabilities before any Bondholder shall be entitled to receive any payment under the Bonds;
 - (ii) notwithstanding anything to the contrary contained in the Amended and Restated Instrument or the Subscription Agreement, payment under the Bonds shall not be due or capable of becoming or being declared due and payable and the Bonds shall not be redeemed or capable of being redeemed prior to the payment in full of all Liabilities;

- (iii) any amounts which any Bondholder may, notwithstanding the provisions of this Condition, become entitled to receive under the Bonds prior to the payment in full of all Liabilities, whether upon the dissolution of the Issuer or the Guarantor or for any other reason whatsoever, shall be appropriated and applied by it first in or towards the discharge of the Liabilities in accordance with the provisions of all the Finance Documents. Any amount so appropriated and applied in or towards discharge of the Liabilities shall be deemed not to have been repaid by the Issuer or the Guarantor to the Bondholder;
 - (iv) in the event that any Bondholder receives directly or indirectly any amount on account of the Bonds prior to the payment in full of all Liabilities, it will forthwith pay or cause the same to be appropriated and applied by it as set forth in Condition 12(A)(iii) and, accordingly, such amount shall be deemed not to have been received by the Bondholder;
 - (v) every Bondholder shall hold its rights to the Bonds and all moneys received, recovered or held by it on account of the Bonds pursuant to such rights, as agent for the benefit of the Banks to give effect to the provisions of this Condition 12;
 - (vi) no Bondholder may, prior to the payment in full of all Liabilities, ask, demand, sue or prove for, take or receive directly or indirectly, whether by exercise of set-off, counterclaim or in any other manner, payment of any amount outstanding under the relevant Bond(s); and
 - (vii) no Bondholder may exercise any right of set-off or counterclaim against any amount due from the Issuer or the Guarantor under this Amended and Restated Instrument.
- (B) Without prejudice to Condition 12(C), Condition 12(A) shall cease to have any further effect upon the cancellation, termination or repayment of the Banking Facilities and the full release or discharge of all outstanding liabilities.
- (C) Notwithstanding any provisions in these Conditions, the Issuer and the Guarantor shall be entitled to incur other indebtedness, whether in the form of bank loans, facilities, credits or otherwise, or to issue any bonds, debentures, notes or other debts securities of any kind (“**Future Indebtedness**”), for the purposes of funding any capital requirements (whether as general working capital or as capital for specific purpose) on such terms and conditions as the Issuer or the Guarantor (as the case may be) shall

deem appropriate. To the extent that the creation and/or subsistence of any Future Indebtedness requires the Bonds be subordinated in right, time and priority of payment, the Bonds are hereby deemed to have been subordinated and subject in right of payment to the payment in full of any amounts owing at any time and from time to time by the Issuer or as the case may be, the Guarantor under the Future Indebtedness and accordingly the creditor(s) of such Future Indebtedness shall be entitled to receive payment in full of all liabilities arising out of or in connection with the Future Indebtedness before any Bondholder shall be entitled to receive any payment under the Bonds. To the extent required, the terms of subordination as set out in paragraphs (i) to (vii) under Condition 12(A) shall apply, mutatis mutandis, to the effect that the Bonds are subordinated to the Future Indebtedness on the same terms and conditions. Every Bondholder shall, upon receipt of a notice served in accordance with Condition 16, execute all documents and take all actions as may be necessary or appropriate in order to give effect to the terms of subordination herein.

- (D) For the avoidance of doubt, the terms of subordination as set out in this Condition 12 are not applicable to, and shall not be regarded as a restriction herein, the right of the Bondholders to convert the Bonds in accordance with the terms of the Amended and Restated Instrument and these Conditions.

13 EVENTS OF DEFAULT

If any of the following events (“**Events of Default**”) occurs and is continuing, the Bondholders may by Extraordinary Resolution (as defined in the Amended and Restated Instrument) shall, provided it has been indemnified to its satisfaction, give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at the Redemption Price:–

- (a) the Issuer fails to pay the principal of any of the Bonds within 14 Business Days from the due date of payment; or
- (b) the Issuer or the Guarantor defaults in the performance or observance of, or compliance with, any of its obligations set out in the Bonds or the Amended and Restated Instrument (including, in relation to the Guarantor, non-performance after proper demand under the Guarantee), other than any obligation to pay the principal of or premium (if any) on any of the Bonds, and such default continues for a period of 21 Business Days after notice of such default shall have been given to the Issuer or the Guarantor by a Bondholder; or

- (c) any other bonds, debentures, notes or other indebtedness for borrowed money (hereinafter called “**Indebtedness**”) of the Issuer, the Guarantor or any Material Subsidiary (as defined below) shall become payable prior to its or their stated maturity following a default by the Issuer, the Guarantor or such Material Subsidiary, or any security given by the Issuer, the Guarantor or any Material Subsidiary in respect of any Indebtedness becomes due, provided that the aggregate principal amount of Indebtedness in respect of which any one or more of the events set out in this Condition 13(C) shall have happened is at least U.S.\$25,000,000 (or its equivalent in any other currencies) (the “**Specified Limit**”); or
- (d) a distress, attachment, execution or other legal process is levied or enforced or sued upon or against the whole or a material part of the property, assets or revenues of the Issuer, the Guarantor or any Material Subsidiary in respect of which the cost or loss to the relevant company or the amount claimed against the relevant company exceeds the Specified Limit and is not discharged or adequate security is not provided to facilitate the release of such property within 30 Business Days of having been so levied, enforced or sued out, the Guarantor or as the case may be, such Material Subsidiary; or
- (e) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of, or an attachment order is issued in respect of, the whole or a material part of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any Material Subsidiary; or
- (f) the Issuer, the Guarantor or any Material Subsidiary is unable to pay its debts as they mature or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or by reasons of actual financial difficulties commences negotiations with its creditors generally with a view to rescheduling any of its Indebtedness; or
- (g) an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any Material Subsidiary or the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment (within, if applicable, the meaning of the bankruptcy or insolvency law of any appropriate jurisdiction) or applies for or consents to or suffers the appointment of an administrator,

liquidator or receiver over the whole or a material part of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any Material Subsidiary, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Guarantor or another of its Subsidiaries pursuant to a merger of the Material Subsidiary with the Guarantor or such other Subsidiary or by way of a voluntary winding-up or dissolution where there are surplus assets in such Material Subsidiary and such surplus assets attributable to the Guarantor and/or any other Subsidiary are distributed to the Guarantor and/or any such other Subsidiary; or

- (h) proceedings shall have been initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable bankruptcy, insolvency or reorganisation law and such proceedings shall not have been discharged or stayed within a period of 30 Business Days; or
- (i) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d), (e), (f), (g) or (h) above; or
- (j) the Issuer ceases to be a direct or indirect wholly-owned Subsidiary of the Guarantor; or
- (k) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds or the Guarantee (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds admissible in evidence in the Hong Kong courts is not so taken, fulfilled or done within a period of 21 days from the date on which it was apparent that such action, condition or thing was required; or
- (l) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds or the Guarantee; or

- (m) the Guarantee ceases for any reason to be in full force and effect or it becomes impossible or unlawful for the Guarantor to perform any of its obligations thereunder.

For the purposes of this Condition:–

“**Material Subsidiary**” means any Subsidiary of the Guarantor:–

- (i) whose gross assets exceed 25 per cent. of the consolidated gross assets of the Guarantor and its Subsidiaries; or
- (ii) to which is transferred the whole, or substantially the whole, of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary,

in each case as based on the then most recent audited consolidated accounts of the Guarantor and its Subsidiaries; provided that, if a Subsidiary itself has Subsidiaries and produces in respect of any year audited consolidated accounts of such Subsidiary and its Subsidiaries, the references above to gross assets of such Subsidiary shall be construed as references to the gross assets of such Subsidiary and its consolidated Subsidiaries and the reference to the then most recent audited consolidated accounts of such Subsidiary (which are all as determined in accordance with the general accounting principles in the relevant country) shall be construed as a reference to the then most recent audited consolidated accounts of such Subsidiary and its consolidated Subsidiaries.

In the case of a Subsidiary acquired, or any entity becoming a Subsidiary, after the end of the financial period of the Guarantor to which the latest audited consolidated accounts of the Guarantor relate, the reference to the then most recent audited consolidated accounts of the Guarantor for the purpose of the calculations above shall, when audited consolidated accounts of the Guarantor for the financial period in which the acquisition is made or, as the case may be, in which the relevant company becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Guarantor, adjusted to consolidate the latest audited accounts of such Subsidiary (consolidated where applicable) in such accounts.

A report by the Auditors that, in their opinion, a Subsidiary is or is not, or was or was not, a Material Subsidiary, shall, in the absence of manifest error, be conclusive and binding on all parties.

14 ENFORCEMENT OF RIGHTS

At any time after the Bonds become due and payable, the Bondholders may, cause to be instituted such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Amended and Restated Instrument and the Bonds.

15 MEETINGS OF BONDHOLDERS; MODIFICATIONS**(A) Meetings**

The Amended and Restated Instrument contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Amended and Restated Instrument. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of Bonds so held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, the rate of default interest payable or the Equivalent Amount in respect of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify or cancel the conversion provisions, (v) to modify or cancel the Guarantee, (vi) to modify the status of the Bonds or the Guarantee, or (vii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed in accordance with the provisions of the Amended and Restated Instrument at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting and whether or not they vote in favour.

Where the Bondholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Bondholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Bonds in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Bondholder holding the number of Bonds specified in such proxy form or authorisation.

(B) Modifications

The Issuer and/or the Guarantor may, without the consent of the Bondholders, modify the terms of the Amended and Restated Instrument or these Conditions to the extent such modification is, in the opinion of an independent investment bank as selected by the Guarantor, (i) not materially prejudicial to the interests of the Bondholders or (ii) of a formal, minor or technical nature or to correct a manifest error or to cure any ambiguity in any provision or to correct or supplement any defective provision or to comply with mandatory provisions of law. Any such modification will be binding on the Bondholders and will be notified by the Guarantor to the Bondholders as soon as practicable thereafter. Without prejudice to the foregoing, for any modifications or amendments to the terms of the Amended and Restated Instrument or these Conditions in respect of which an Extraordinary Resolution(s) is required, a circular containing an explanation of the effect of the proposed modifications or amendments and if applicable, such other information as may be required under the Listing Rules or other legal and regulatory requirements shall be despatched to the Bondholders together with the notice of the relevant meeting of Bondholders.

16 NOTICES

Save as provided below, any notice to the Bondholders shall be validly given if (i) mailed to them at their respective addresses in the Register or (ii) published in an English language newspaper having a general circulation in Hong Kong (which is currently expected to be either the Hong Kong Standard or the South China Morning Post). Any such notice shall be deemed to have been given on the date of such publication or on the seventh day after being so mailed, as the case may be.

17 REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Transfer Office upon payment by the claimant of such fee (if any, not exceeding such amount as may from time to time be permitted under the Listing Rules), expenses, taxes and duties incurred in connection therewith and on such terms as to evidence, indemnity or security as the Issuer may reasonably require.

In the case of lost Certificates, sub-sections (2), (3), (4), (6), (7) and (8) of section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong, as amended) shall be deemed to apply with all references to “shares” substituted with the word “Bonds”.

18 GOVERNING LAW

The Amended and Restated Instrument, the Bonds and the Guarantee, are to be governed by and shall be construed in accordance with Hong Kong law. Each of the Issuer and the Guarantor has in the Amended and Restated Instrument, for the benefit of the Bondholders, submitted to the jurisdiction of the Hong Kong courts and the Issuer has appointed the Guarantor at its address at Room 4107, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as its agent for service of process in Hong Kong.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong

Deloitte.
德勤

德勤•關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

31 January 2005

The Directors

China Resources Cement Finance Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) relating to China Resources Cement Finance Limited (formerly known as Bestleap Group Limited) (the “Issuer”) for the period from 5 November 2004 (date of incorporation) to 31 December 2004 (the “Relevant Period”) and for inclusion in the prospectus of the Issuer dated 31 January 2005 (the “Prospectus”) in connection with the offer of zero coupon guaranteed convertible bonds due 2010 (the “Bonds”) and guaranteed by and convertible into ordinary shares of China Resources Cement Holdings Limited (the “Company”) to the independent shareholders (other than the Overseas Shareholders) of the Company (the “Qualifying Shareholders”) of an aggregate denominated value of HK\$200.0 million by Firstsuccess Investments Limited (the “Subscriber”).

The Issuer was incorporated with limited liability under International Business Companies Act (Cap 291) of the British Virgin Islands on 5 November 2004.

No audited financial statements have been prepared for the Issuer since its date of incorporation as the Issuer has not carried on any business. For the purpose of this report, we have carried out independent audit procedures of the management account of the Issuer for the Relevant Period, prepared in accordance with accounting principles generally accepted in Hong Kong (the “Financial Statements”), in accordance with the Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants.

We have examined the Financial Statements in accordance with the Auditing Guideline “Prospectus and the Reporting Accountant” as recommended by the Hong Kong Institute of Certified Public Accountants.

The preparation of the Financial Statements are the responsibility of the directors of the Issuer. The directors of the Issuer and the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Issuer as at 31 December 2004.

A. FINANCIAL INFORMATION

Balance sheet at 31 December 2004

	<i>Note</i>	<i>HK\$</i>
Current asset		
Cash		<u>8</u>
Capital		
Share capital	6	<u>8</u>

Statement of changes in equity

	Share capital
	<i>HK\$</i>
Issue of one share at the date of incorporation on 5 November 2004 and balance at 31 December 2004	<u>8</u>

NOTES TO THE FINANCIAL INFORMATION

1. General**A. *Ultimate holding company***

In the opinion of the directors, the ultimate holding company of the Issuer is China Resources National Corporation, a company established in the People's Republic of China.

B. *Principal activity*

The Issuer has not commenced business since its incorporation and it will engage in the business of provision of financial services to its holding company and fellow subsidiaries.

2. Principal accounting policy

The Financial Statements have been prepared under the historical cost convention. The principal accounting policy which has been adopted in preparing the Financial Information and which conforms with accounting principles generally accepted in Hong Kong is as follows:

Foreign exchange

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the transactions dates. Monetary assets and liabilities denominated in such currencies are re-translated at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the determination of operating profit.

3. Profit and loss account

The Issuer had no operation during the Relevant Period and accordingly, no profit and loss account has been presented.

4. Cash flow statement

The Issuer had no cash transaction except for the issuance of one share of US\$1, for cash at par, during the Relevant Period.

5. Dividend

No dividend was paid by the Issuer during the Relevant Period.

6. Share capital

At 31 December 2004

Authorised:

50,000 shares of US\$1 each

US\$50,000

Issued and fully paid:

1 share of US\$1

US\$1

Shown as

HK\$8

The Issuer was incorporated on 5 November 2004 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. At the time of incorporation, one share of US\$1 was issued, for cash at par, to the subscriber to provide the initial share capital of the Issuer.

B. DIRECTORS' REMUNERATION

During the Relevant Period, no remuneration has been paid or is payable to the directors of the Issuer.

During the Relevant Period, no emolument was paid to the directors of the Issuer as an inducement to join or upon joining the Issuer or as a compensation for loss of office.

As at 31 December 2004, the Issuer did not have any employment contracts with the directors of the Issuer.

C. SUBSEQUENT EVENT

On 29 November 2004, the Issuer, the Subscriber, the Company and China Resources (Holdings) Company Limited entered into a subscription agreement relating to the issuance of Bonds (the “Subscription Agreement”). Pursuant to the Subscription Agreement, the Issuer issued Bonds amounting to HK\$800.0 million to the Subscriber on 13 January 2005 and the Subscriber has agreed to offer Bonds in an aggregate principal amount of HK\$200.0 million to the Qualifying Shareholders.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Issuer in respect of any period subsequent to 31 December 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

I. UNAUDITED PRO FORMA COMBINED FINANCIAL SUMMARY

A summary of the unaudited pro forma combined results for each of the three years ended 31 December 2003 together with the unaudited pro forma combined assets and liabilities as at 31 December 2001 and 2002 of the Group and the consolidated assets and liabilities as at 31 December 2003 of the Group, as extracted from the published 2003 annual report of the Company for the period from 13 March 2003 (date of incorporation) to 31 December 2003, is set out below:

	2001	2002	2003
	Pro forma combined	Pro forma combined	Pro forma combined
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Results			
Turnover	<u>915,392</u>	<u>899,450</u>	<u>1,070,189</u>
Net profit for the year	<u>159,617</u>	<u>72,772</u>	<u>49,272</u>

	2001	2002	2003
	Pro forma combined	Pro forma combined	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Fixed assets	809,415	1,088,859	1,252,412
Intangible assets	–	23,706	10,952
Non-current investments	46,090	50,000	107
Retention monies receivable due after one year	–	–	4,334
Prepaid rentals	–	4,545	3,958
Deferred tax assets	27,303	16,844	13,246
Current assets	429,901	568,790	835,111
	<hr/>	<hr/>	<hr/>
Total assets	<u>1,312,709</u>	<u>1,752,744</u>	<u>2,120,120</u>
Liabilities			
Current liabilities	767,234	458,027	845,759
Non-current liabilities	1,011,001	213,447	144,945
Deferred tax liabilities	50,743	48,699	44,836
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,828,978</u>	<u>720,173</u>	<u>1,035,540</u>

The unaudited pro forma combined results for each of the three years ended 31 December 2003 together with the unaudited pro forma combined assets and liabilities as at 31 December 2001 and 2002 of the Group have been prepared on the basis as if the Company had always been the holding company of the subsidiaries under the Group Reorganisation (as described in more details in note 1A to the financial statements for the period from 13 March 2003 (date of incorporation) to 31 December 2003 in the following section on Audited Financial Information) since 1 January 2001. In the opinion of the Directors, the presentation of pro forma combined financial information gives a more meaningful view of the results and state of affairs of the Group as a whole.

II. AUDITED FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated profit and loss account of the Group for the period from 13 March 2003 (date of incorporation of the Company) to 31 December 2003 and the balance sheet of the Company and the consolidated balance sheet of the Group as at 31 December 2003 together with the relevant notes to the financial statements as extracted from the published 2003 annual report of the Company for the period from 13 March 2003 (date of incorporation) to 31 December 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period from 13 March 2003 (date of incorporation of the Company) to 31 December 2003

	<i>Notes</i>	<i>HK\$'000</i>
Turnover	3	543,729
Cost of sales		(410,913)
		<hr/>
Gross profit		132,816
Other income		20,127
Selling and distribution expenses		(42,034)
General and administrative expenses		(63,360)
		<hr/>
Profit from operations		47,549
Finance costs	4	(10,024)
Share of results of associates		(3,423)
		<hr/>
Profit before taxation	5	34,102
Taxation	9	(3,254)
		<hr/>
Profit before minority interests		30,848
Minority interests		(7,295)
		<hr/>
Profit attributable to shareholders		<u>23,553</u>
Earnings per share (HK\$)	<i>10</i>	
– basic		<u>0.114</u>
– diluted		<u>0.114</u>

BALANCE SHEETS*At 31 December 2003*

	<i>Notes</i>	The Group <i>HK\$'000</i>	The Company <i>HK\$'000</i>
Non-current assets			
Fixed assets	<i>11</i>	1,252,412	25
Intangible assets	<i>12</i>	10,952	–
Interests in subsidiaries	<i>13</i>	–	726,517
Interest in an associate	<i>14</i>	72	–
Other investments	<i>15</i>	35	–
Retention monies receivable due after one year		4,334	–
Prepaid rentals	<i>16</i>	3,958	–
Deferred tax assets	<i>17</i>	13,246	480
		<hr/>	<hr/>
		1,285,009	727,022
		<hr/>	<hr/>
Current assets			
Stocks	<i>18</i>	81,662	–
Retention monies receivable due within one year		9,797	–
Trade receivables	<i>19</i>	348,739	–
Other receivables		60,968	18,698
Amounts due from subsidiaries		–	248,645
Pledged bank deposits		1,032	–
Cash and bank balances		332,913	236,004
		<hr/>	<hr/>
		835,111	503,347
		<hr/>	<hr/>

APPENDIX III
FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	The Group <i>HK\$'000</i>	The Company <i>HK\$'000</i>
Current liabilities			
Trade payables	20	150,890	–
Other payables		132,528	3,300
Amounts due to fellow subsidiaries		474	–
Amounts due to minority interests		3,152	–
Amounts due to subsidiaries		–	266,735
Taxation payable		113	–
Bank loans – amount due within one year	21	558,602	–
		<u>845,759</u>	<u>270,035</u>
Net current (liabilities) assets		<u>(10,648)</u>	<u>233,312</u>
Total assets less current liabilities		<u>1,274,361</u>	<u>960,334</u>
Non-current liabilities			
Bank loans – amount due after one year	21	103,814	–
Loans from minority interests	22	28,937	–
Advance from minority interest	23	12,194	–
Deferred tax liabilities	17	44,836	–
		<u>189,781</u>	<u>–</u>
Minority interests		<u>100,063</u>	<u>–</u>
Net assets		<u><u>984,517</u></u>	<u><u>960,334</u></u>
Capital and reserves			
Share capital	24	36,281	36,281
Reserves	26	948,236	924,053
Shareholders' funds		<u><u>984,517</u></u>	<u><u>960,334</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the period from 13 March 2003 (date of incorporation) to 31 December 2003*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Issue of share at the date of incorporation	–	–	–	–	–
Issue of share for cash	–	100,000	–	–	100,000
Issue of shares for the acquisition of subsidiaries	15,476	855,373	–	–	870,849
Capitalisation issue	20,805	(20,805)	–	–	–
Share issuing expenses	–	(8,649)	–	–	(8,649)
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong not recognised in the consolidated profit and loss account	–	–	(1,236)	–	(1,236)
Profit attributable to shareholders for the period	–	–	–	23,553	23,553
At 31 December 2003	<u>36,281</u>	<u>925,919</u>	<u>(1,236)</u>	<u>23,553</u>	<u>984,517</u>

CONSOLIDATED CASH FLOW STATEMENT*For the period from 13 March 2003 (date of incorporation) to 31 December 2003*

HK\$'000

Cash flows from operating activities

Profit before taxation	34,102
Adjustments for:	
Depreciation of fixed assets	36,339
Amortisation of goodwill	1,999
Negative goodwill released to income	(3,106)
Amortisation of mining rights	267
Impairment loss recognised in respect of other investments	349
Amortisation of prepaid rentals	236
Interest income	(843)
Interest expenses	10,024
Share of results of associates	3,423
Loss on disposal of fixed assets	825
Operating cash inflow before movements in working capital	83,615
Decrease in stocks	795
Increase in retention monies receivable	(2,016)
Increase in trade receivables	(7,068)
Increase in other receivables	(21,870)
Decrease in amounts due from fellow subsidiaries	28,214
Decrease in amounts due from associates	3,607
Decrease in trade payables	(7,102)
Increase in other payables	11,935
Decrease in amounts due to fellow subsidiaries	(41,939)
Decrease in amounts due to minority interests	(72)
Decrease in amounts due to associates	(13)
Effect of foreign exchange rate changes on inter-company balances	953
Cash generated from operations	49,039
Hong Kong Profits Tax paid	(5,596)
Interest paid	(10,596)
Net cash generated from operating activities	32,847

	<i>Note</i>	<i>HK\$'000</i>
Cash flows from investing activities		
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	27	202,700
Interest received		843
Purchase of fixed assets		(58,338)
Proceeds from disposal of fixed assets		245
Decrease in pledged bank deposits		8,097
		<hr/>
Net cash generated from investing activities		153,547
		<hr/>
Cash flows from financing activities		
Proceeds from issue of shares		100,000
Bank loans raised		296,746
Repayments of bank loans		(162,469)
Repayments of loans from minority interests		(62,337)
Repayments of advance from minority interest		(4,773)
Repayments of loans from fellow subsidiaries		(11,999)
Payment of share issuing expenses		(8,649)
		<hr/>
Net cash generated from financing activities		146,519
		<hr/>
Increase in cash and cash equivalents for the period and cash and cash equivalents at 31 December 2003, representing cash and bank balances		332,913
		<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

1. General

A. Group reorganisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 March 2003 under the Companies Law (2002 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme (the “Group Reorganisation”) and the acquisition of Flavour Glory Limited, Clear Bright Investments Limited, Full Sincere Limited and Goodsales Investments Limited (the “Acquisition”), a group structure was formed (the “Group”) which comprised the Company, Innovative Market Limited (subsequently China Resources Cement Limited), Flavour Glory Limited, Clear Bright Investments Limited, Full Sincere Limited and Goodsales Investments Limited and their subsidiaries. The results of the Group are accounted for under acquisition accounting method. The details of the Group Reorganisation and the Acquisition are set out in the prospectus issued by the Company on 26 June 2003 (the “Prospectus”).

Pursuant to the resolution passed by the independent shareholders of China Resources Enterprise, Limited (“CRE”) at its extraordinary general meeting on 15 July 2003, the Company issued and allotted one share of HK\$0.10, credited as fully paid, to CRE as consideration for the acquisition of the entire issued share capital of Innovative Market Limited and the Company issued 208,052,458 shares of HK\$0.10 each in the Company by way of the capitalisation of HK\$20,805,246 standing to the credit of the share premium account of the Company for distribution to CRE. Following this Group Reorganisation, the Company acquired the 100 percentage interest in each of Flavour Glory Limited, Clear Bright Investments Limited, Full Sincere Limited and Goodsales Investments Limited and related shareholders’ loans at the aggregate consideration of approximately HK\$414.1 million, which was satisfied by the issue of 154,755,000 shares of HK\$0.10 each of the Company to China Resources (Holdings) Company Limited (“CR Holdings”). Accordingly, the Company became the holding company of companies then comprising the Group on 22 July 2003.

On 29 July 2003, the Company’s entire shares in issue of 362,807,461 shares of HK\$0.10 each were listed on the Main Board of the Stock Exchange by way of introduction.

B. Ultimate holding company

In the opinion of the directors, the Company's ultimate holding company is China Resources National Corporation, a company established in the Chinese Mainland.

C. Principal activities

The Company acts as an investment holding company. The principal activities of the Group are the production and sale of cement, concrete and related products and services.

D. Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

2. Principal Accounting Policies***A. Consolidation***

The financial statements of the Group include the financial statements of the Company and all its direct and indirect subsidiaries made up to 31 December and also incorporate the Group's interests in associates on the basis set out in note 2C below.

The results of subsidiaries and associates acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

B. Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body. In the Company's balance sheet, investments in subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

C. Associates

An associate is an enterprise, not being a subsidiary, over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee. The consolidated profit and loss account includes the Group's share of the results of associates for the period. In the consolidated balance sheet, interests in associates is stated at the Group's share of net assets of the associates plus unamortised goodwill (negative goodwill) arising on acquisitions, less any impairment loss.

In the Company's balance sheet, investments in associates are stated at cost less any impairment loss.

D. Other investments

Other investments are investments in debt and equity securities, except those held either solely for the purpose of recovering advances or, as investments in subsidiaries or associates.

Other investments which are debt securities held-to-maturity are stated at amortised cost in the balance sheet. Amortised cost is cost plus or minus the cumulative amortisation of the difference between the purchase price and the maturity amount.

Other investments which are held for an identified long-term purpose are measured at cost as reduced by any impairment loss that is other than temporary.

Other investments which are neither debt securities held-to-maturity nor securities held for an identified long-term purpose are measured at fair value, with unrealised gains or losses included in the consolidated profit and loss account.

E. Goodwill/Negative goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary or an associate at the date of acquisition. Negative goodwill arising from acquisitions of subsidiaries or associates represents the excess of the Group's interest in the fair value of identifiable assets and liabilities acquired over the cost of acquisition.

Goodwill is recognised as an asset and amortised on a straight-line basis over its useful economic life of not more than 20 years and is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment loss.

Negative goodwill arising on acquisitions is presented as a deduction from assets and will be released to the consolidated profit and loss account based on an analysis of the circumstances from which the balance resulted.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised in the consolidated profit and loss account. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those identifiable acquired depreciable assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

F. Fixed assets

(a) Construction in progress

Fixed assets in the course of construction for production, rent or administrative purposes or for the purposes not yet determined, are carried at cost less accumulated impairment losses, if any. Cost includes all construction expenditure, professional fees, borrowing cost capitalised and other relevant expenses directly attributable to such projects.

No provision for depreciation is made on construction in progress until such time when construction work is completed and the costs of construction are transferred to the appropriate category of fixed assets.

(b) Other fixed assets

Fixed asset other than construction in progress are stated at cost less depreciation and accumulated impairment loss, if any.

Depreciation of other fixed assets is provided to write off the cost of assets using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Land and buildings	Over the unexpired term of lease
Silo	10 to 40 years
Plant and machinery	3 to 40 years
Barge and pier	11 to 25 years
Furniture and equipment	3 to 16 ² / ₃ years
Motor vehicles, trucks and mixers	4 to 12 years
Leasehold improvements	Over the unexpired term of lease

(c) *Impairment of fixed assets*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount. Such reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.

G. Mining rights

Mining rights are stated at cost less accumulated amortisation and any identified impairment loss. The cost of mining rights are amortised on the straight line method over the estimated useful life of 50 years.

H. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

I. Recognition of revenue

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

J. Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the consolidated profit and loss account in the year incurred, except for costs related to funding of qualifying assets which are capitalised as part of the cost of that asset up to the date when substantially all the activities necessary to prepare the asset for its intended use or sale are completed.

K. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items in the consolidated profit and loss account that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised

to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

L. Foreign exchange

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the transactions dates. Monetary assets and liabilities denominated in such currencies are re-translated at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the determination of operating profit.

On consolidation, the amounts in the balance sheet of subsidiaries reported in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. The profit and loss account of subsidiaries reported in currencies other than Hong Kong dollars is translated at the average rates for the year. Exchange differences are dealt with as movements on reserves.

M. Operating leases

Rentals income or expense arising from operating leases is recognised in the consolidated profit and loss account on a straight line basis over the periods of the respective leases.

N. Employee benefits

Payments to defined contribution retirement benefit plans, government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

O. Employee benefits – Share option schemes

When options are granted to employees to subscribe for shares of the Company in accordance with the Company's share option schemes, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

3. Turnover and Segment Information

Turnover represents the amount received and receivable for goods sold to outside customers.

Primary reporting format – business segments

Profit and loss account

	Cement	Concrete	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
External sales	272,612	271,117	–	543,729
Inter-segment sales	42,460	141	(42,601)	–
	<u>315,072</u>	<u>271,258</u>	<u>(42,601)</u>	<u>543,729</u>

Inter-segment sales are charged at prevailing market prices.

Results

Segment results	33,642	20,931	–	54,573
Interest income				843
Unallocated corporate expenses				(7,867)
				<u>47,549</u>
Profit from operations				47,549
Finance costs				(10,024)
Share of results of associates	–	(3,423)	–	(3,423)
				<u>34,102</u>
Profit before taxation				34,102
Taxation				(3,254)
				<u>30,848</u>
Profit before minority interests				30,848
Minority interests				(7,295)
				<u>23,553</u>
Profit attributable to shareholders				<u>23,553</u>

Balance sheet

	Cement <i>HK\$'000</i>	Concrete <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	1,154,838	611,462	1,766,300
Interests in an associate	–	72	72
Deferred tax assets			13,246
Unallocated corporate assets			340,502
			<hr/>
Consolidated total assets			2,120,120
			<hr/> <hr/>
Liabilities			
Segment liabilities	172,878	107,894	280,772
Tax liabilities			44,949
Unallocated corporate liabilities			709,819
			<hr/>
Consolidated total liabilities			1,035,540
			<hr/> <hr/>

Other information

	Cement <i>HK\$'000</i>	Concrete <i>HK\$'000</i>	Corporate level <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions to fixed assets	57,721	1,163	26	58,910
Depreciation of fixed assets	24,018	12,320	1	36,339
Amortisation of goodwill	–	1,999	–	1,999
Amortisation of mining rights	267	–	–	267
Amortisation of prepaid rentals	236	–	–	236
Release of negative goodwill to income	(2,330)	(776)	–	(3,106)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Secondary reporting format – geographical segments by location of customers

	<i>HK\$'000</i>	
Segment turnover		
Chinese Mainland		299,855
Hong Kong		243,874
		<u>543,729</u>
		<u><u>543,729</u></u>
	Segment assets	Additions to fixed assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese Mainland	1,258,843	58,175
Hong Kong	507,457	735
	<u>1,766,300</u>	<u>58,910</u>
	<u><u>1,766,300</u></u>	<u><u>58,910</u></u>

4. Finance Costs

	<i>HK\$'000</i>
Interest on:	
Bank loans wholly repayable within five years	10,072
Loans from minority interests of subsidiaries	524
	<u>10,596</u>
<i>Less:</i> Amount capitalised to fixed assets	(572)
	<u>10,024</u>
	<u><u>10,024</u></u>

Capitalisation rate of borrowing costs are calculated at 5.61% to expenditure on qualifying assets.

5. Profit Before Taxation

HK\$'000

Profit before taxation has been arrived at after charging:

Directors' emoluments (<i>Note 6</i>)	1,936
Other staff costs	54,676
Other pension costs and mandatory provident fund contributions, excluding directors	2,477
	<hr/>
Total staff costs	59,089
Depreciation of fixed assets	36,339
Amortisation of goodwill (included in general and administrative expenses)	1,999
Amortisation of mining rights (included in general and administrative expenses)	267
Amortisation of prepaid rentals (included in general and administrative expenses)	236
Auditors' remuneration	947
Impairment loss recognised in respect of other investments	349
Operating lease payments in respect of rented premises	13,663
Loss on disposal of fixed assets	825

and after crediting:

Interest income	843
Release of negative goodwill to income (included in other income)	3,106
	<hr/> <hr/>

6. Directors' Emoluments

	<i>HK\$'000</i>
Fees to independent non-executive directors	129
Other emoluments for independent non-executive directors	–
Other emoluments for non-executive directors	–
Other emoluments for executive directors	
– basic salaries and allowances	1,679
– pension costs and mandatory provident fund contributions	128
	<u>1,807</u>
Total directors' emoluments	<u><u>1,936</u></u>

The total emoluments of all directors were within the following band:

	Number of directors
Nil to HK\$1,000,000	<u><u>12</u></u>

7. Five Highest Paid Employees

The five highest paid employees during the period included one director, details of whose emoluments are set out in note 6 above. The details of the emoluments paid to the other four highest paid employees are as follows:

	<i>HK\$'000</i>
Basic salaries and allowances	1,703
Pension costs and mandatory provident fund contributions	202
	<u>1,905</u>

Their emoluments were within the following band:

	Number of employees
Nil to HK\$1,000,000	<u><u>4</u></u>

8. Retirement Benefits Scheme

The Group operates a defined contribution retirement scheme which is available to its employees in Hong Kong. The assets of the scheme are held separately in an independently administered fund. The amount of contributions is based on a specified percentage of the basic salary of employees and is charged to the consolidated profit and loss account. Any forfeited contributions in respect of unvested benefits of staff leavers will be used to reduce the Group's contributions. There was no significant amount of unutilised forfeited contributions at the balance sheet date.

With the introduction of the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong in 2000, all employees who were members of the Group's defined contribution retirement scheme were given a choice either to remain in the Group's defined contribution retirement scheme or to join the MPF Scheme. All new employees must join the MPF Scheme.

The employees of the Group in the Chinese Mainland are members of government-managed retirement benefit schemes operated by the respective local government in the Chinese Mainland. The Group is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

9. Taxation

	<i>HK\$'000</i>
Current taxation	
Hong Kong Profits Tax	
Company and subsidiaries	3,320
Deferred taxation	
Current period	(66)
	<hr/>
	<u>3,254</u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for taxation for other jurisdictions has been made as all subsidiaries in the Chinese Mainland are entitled to full exemption from PRC Enterprise Income Tax for the first two years and 50% reduction for the following three years commencing from the first profitable year of operation after fully set off against the accumulated losses brought forward.

The charge for the period can be reconciled to the consolidated profit before taxation as follows:

	<i>HK\$'000</i>
Profit before taxation	34,102
Tax at the domestic income tax rate of 17.5%	5,968
Tax effect of expenses that are not deductible in determining taxable profit	2,326
Tax effect of income that are not allowable in determining taxable profit	(1,100)
Tax effect of utilisation of tax losses not previously recognised	161
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,101)
Tax expense at effective tax rate for the period	3,254

10. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	<i>HK\$'000</i>
Earnings	
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	23,553
	<u>23,553</u>
	<i>'000</i>
Number of shares	
Weighted average number of shares for the purpose of calculating basic earnings per share	206,805
Effect on dilutive potential shares on share options	305
	<u>207,110</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	207,110
	<u>207,110</u>

11. Fixed Assets

	THE GROUP						THE COMPANY	
	Land and buildings HK\$'000	Silo HK\$'000	Plant and machinery HK\$'000	Barge and pier HK\$'000	Others HK\$'000	Construction in progress HK\$'000	Total HK\$'000	Furniture and equipment HK\$'000
COST								
Relating to acquisition of subsidiaries	437,561	143,546	690,305	78,188	117,448	245,782	1,712,830	–
Additions	12,024	–	553	–	15,788	30,545	58,910	26
Transfer of construction in progress to other fixed assets	38,964	42,755	101,705	–	28,382	(211,806)	–	–
Disposals	(4,490)	(181)	(31,133)	–	(1,342)	–	(37,146)	–
Exchange adjustments	(692)	(629)	(2,305)	(340)	(219)	(1,178)	(5,363)	–
At 31 December 2003	483,367	185,491	759,125	77,848	160,057	63,343	1,729,231	26
ACCUMULATED DEPRECIATION								
Relating to acquisition of subsidiaries	61,924	26,210	308,710	13,406	67,362	–	477,612	–
Charge for the period	6,206	2,826	20,472	1,372	5,463	–	36,339	1
Written back on disposals	(4,023)	(27)	(31,051)	–	(975)	–	(36,076)	–
Exchange adjustments	(76)	(94)	(784)	(65)	(37)	–	(1,056)	–
At 31 December 2003	64,031	28,915	297,347	14,713	71,813	–	476,819	1
NET BOOK VALUES								
At 31 December 2003	419,336	156,576	461,778	63,135	88,244	63,343	1,252,412	25

HK\$'000

Net book values of the land and buildings
of the Group comprise:

Hong Kong properties held on medium-term leases	240,896
Chinese Mainland	
– properties held on medium-term leases	166,103
– properties held on short-term leases	12,337
	<hr/>
	419,336
	<hr/> <hr/>

Included in construction in progress is net interest capitalised of approximately HK\$572,000.

Other fixed assets mainly comprise furniture and equipment, motor vehicles, trucks and mixers and leasehold improvements.

12. Intangible Assets

	Goodwill <i>HK\$'000</i> <i>(Note a)</i>	Negative goodwill <i>HK\$'000</i> <i>(Note b)</i>	Mining rights <i>HK\$'000</i> <i>(Note c)</i>	Total <i>HK\$'000</i>
THE GROUP COST				
Relating to acquisition of subsidiaries	23,986	(37,259)	23,499	10,226
Exchange adjustments	–	–	(114)	(114)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	23,986	(37,259)	23,385	10,112
AMORTISATION				
Charge (release) for the period	1,999	(3,106)	267	(840)
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUES				
At 31 December 2003	<u>21,987</u>	<u>(34,153)</u>	<u>23,118</u>	<u>10,952</u>

Notes:

- (a) The amounts represent the goodwill arising on acquisition of subsidiaries during the Period and are amortised over five years.
- (b) The amounts represent the negative goodwill arising on acquisition of subsidiaries during the Period and are released to the consolidated profit and loss account over a period of five years.
- (c) The amounts represent the Group's rights to extract the limestone and sandstone for cement production in the Chinese Mainland for a period of 50 years commencing on 1 January 2002.

13. Interests in Subsidiaries**THE COMPANY***HK\$'000*

Unlisted shares, at cost	726,517
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Particulars of the Company's subsidiaries at 31 December 2003 are set out in note 34.

14. Interest in an Associate**THE GROUP***HK\$'000*

Share of net assets	72
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Particulars of the Company's associate at 31 December 2003 are set out in note 35.

15. Other Investments**THE GROUP***HK\$'000*

Unlisted shares in Hong Kong, at cost	384
<i>Less:</i> Impairment loss recognised	(349)

35

16. Prepaid Rentals

	THE GROUP <i>HK\$'000</i>
Total prepaid rentals	4,523
<i>Less:</i> Amount to be utilised within one year included in other receivables	(565)
	<u>3,958</u>

The amount represents the rental prepaid for railway facilities, which is stated at cost and amortised on the straight line method over 10 years.

17. Deferred Taxation

THE GROUP

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current reporting period.

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Acquisition of subsidiaries	(45,991)	14,335	(31,656)
Credit (charge) to income (<i>Note 9</i>)	1,155	(1,089)	66
	<u>(44,836)</u>	<u>13,246</u>	<u>(31,590)</u>
At 31 December 2003			<i>HK\$'000</i>
Deferred tax liabilities			(44,836)
Deferred tax assets			13,246
			<u>(31,590)</u>

At 31 December 2003, the Group has unused tax losses of HK\$78.8 million available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$52.4 million of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$26.4 million due to the unpredictability of future profit streams and the expiration of the tax losses in 2005. Other deferred tax assets are carried forward indefinitely.

Temporary differences arising in connection with interest in an associate are insignificant.

THE COMPANY

	Tax loss <i>HK\$'000</i>
Credit to income and balance at 31 December	480

18. Stocks

	THE GROUP <i>HK\$'000</i>
Raw materials and consumables	68,955
Work in progress	716
Finished goods	11,991
	<u>81,662</u>

19. Trade Receivables

The Group's trade receivables comprise:

	<i>HK\$'000</i>
Trade receivables from outsiders	307,360
Trade receivables from fellow subsidiaries	7,827
Trade receivables from minority interests	33,552
	<u>348,739</u>

The following is the aging analysis of trade receivables of the Group at the balance sheet date:

	<i>HK\$'000</i>
0 – 90 days	248,458
91 – 180 days	27,128
181 – 365 days	52,316
Over 365 days	20,837
	<hr/>
	348,739
	<hr/> <hr/>

The Group normally trades with its customers under the following credit terms:

- (a) Cash upon delivery; and
- (b) Open credit from 30 to 90 days.

20. Trade Payables

The Group's trade payables comprise:

	<i>HK\$'000</i>
Trade payables to outsiders	132,468
Trade payables to fellow subsidiaries	7,420
Trade payables to minority interests	11,002
	<hr/>
	150,890
	<hr/> <hr/>

The following is the aging analysis of trade payables of the Group at the balance sheet date:

	<i>HK\$'000</i>
0 – 90 days	90,026
91 – 180 days	19,308
181 – 365 days	19,823
Over 365 days	21,733
	<u>150,890</u>

21. Bank Loans

Bank loans are repayable as follows:

	THE GROUP
	<i>HK\$'000</i>
Within one year	558,602
After one year but within two years	99,124
After two years but within five years	4,690
	<u>662,416</u>
<i>Less:</i> Amount due within one year included in the current liabilities	<u>(558,602)</u>
Amount due after one year	<u>103,814</u>
Secured	392,406
Unsecured	270,010
	<u>662,416</u>

22. Loans from Minority Interests

Loans from minority interests are interest bearing, unsecured and have no fixed repayment terms. In the opinion of the directors, the loans will not be demanded for payment within twelve months from the balance sheet date. Accordingly, the amount is shown in the balance sheet as non-current.

23. Advance from Minority Interest

The amount is unsecured, interest free and has no fixed repayment terms. In the opinion of the directors, no demand for repayment will be made by the minority interest in the next twelve months from the balance sheet date. Accordingly, the amount is classified as non-current.

24. Share Capital

	Number of shares	Amount <i>HK\$'000</i>
Share of HK\$0.10 each:		
Authorised:		
At the date of incorporation and at 31 December 2003	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Issue of share at the date of incorporation	1	–
Issue of share for cash on 25 March 2003	1	–
Issue of new shares on acquisition of subsidiaries	154,755,001	15,476
Capitalisation issue	<u>208,052,458</u>	<u>20,805</u>
At 31 December 2003	<u>362,807,461</u>	<u>36,281</u>

The Company was incorporated on 13 March 2003 with an authorised share capital of HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each.

At the date of incorporation, 1 share of HK\$0.10 was allotted and issued, for cash at par, to the subscriber.

On 25 March 2003, 1 share of HK\$0.10 was allotted and issued at HK\$100,000,000, for cash at par, to CRE.

On 15 July 2003, the Company issued 1 share of HK\$0.10 each in the Company, credited as fully paid at par to CRE as consideration for the acquisition of Innovative Market Limited.

On 15 July 2003, the Company issued 208,052,458 shares of HK\$0.10 each in the Company by way of the capitalisation of HK\$20,805,246 standing to the credit of the share premium account of the Company for distribution to CRE.

On 22 July 2003, the Company issued 154,755,000 shares of HK\$0.10 each in the Company, credit as fully paid at par to CR Holdings as consideration for the Acquisition and for the settlement of the outstanding loan of HK\$208,705,000 due by the Group to CR Holdings.

25. Share Option Scheme

On 20 June 2003, the Company's then sole shareholder and directors adopted the Company's first share option scheme (the "Scheme"). The Scheme was approved at an extraordinary general meeting of CRE on 15 July 2003 and was deemed to be adopted on 29 July 2003, the date on which dealings in the shares of the Company first commenced on the Stock Exchange, and will expire on 29 July 2013. The purpose of the Scheme is to provide the participants ("Participants") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Under the Scheme, the board of directors of the Company may grant options to Participants including executive or non-executive directors of the Group; any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; any executives and employees of the Company, its subsidiaries, substantial shareholders of the Company and associates of any of such substantial shareholders; consultants, professional and other advisers to the Group; chief executive; substantial shareholder of the Company; associated companies of the Group; associates of the directors, chief executive and substantial shareholder of the Company.

Subject to the requirements of the prevailing the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), the subscription price shall be such price determined by the board of directors at its absolute discretion. The maximum entitlement of each Participant under the Scheme is equivalent to the maximum limit permitted under the prevailing Listing Rules. As at the date of this report, the total number of shares available for issue under the Scheme is 36,280,746 shares and represent 10% of the issued share capital of the Company.

The offer of a grant of share options under the Scheme may be accepted within 20 days from the date of the offer together with the payment of nominal consideration of HK\$1 in total by the grantee.

Share options granted are vested for a period of 10 years immediately after the date of grant and 20% of shares to be subscribed under the options granted will commence to be exercisable in each calendar year after the date of grant.

Details of the share options granted under the Scheme during the period and outstanding at 31 December 2003 were as follows:

Participants	Date of grant	Exercise price HK\$	Number of share options granted during the period and outstanding at 31 December 2003
Directors	5 December 2003	2.325	14,300,000
Employees other than directors	5 December 2003	2.325	12,440,000
Other participants	5 December 2003	2.325	1,740,000
			28,480,000

The above options are exercisable as follows:

From	To	Number exercisable
5 December 2004	4 December 2005	Up to 20% of the share options granted
5 December 2005	4 December 2006	Up to 40% of the share options granted, less the number of shares in respect of which the option had been previously exercised
5 December 2006	4 December 2007	Up to 60% of the share options granted, less the number of shares in respect of which the option had been previously exercised
5 December 2007	4 December 2008	Up to 80% of the share options granted, less the number of shares in respect of which the option had been previously exercised
5 December 2008	4 December 2013	The remaining share options which have not been exercised

26. Reserves

THE GROUP

The retained profits of the Group include deficit of HK\$7,000 attributable to the associate of the Group.

THE COMPANY

	Share premium	Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Premium arising on issue of share	100,000	–	100,000
Issue of shares for the acquisition of subsidiaries	855,373	–	855,373
Capitalisation issue	(20,805)	–	(20,805)
Share issuing expenses	(8,649)	–	(8,649)
Net loss for the period	–	(1,866)	(1,866)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	<u>925,919</u>	<u>(1,866)</u>	<u>924,053</u>

At 31 December 2003, the Company's distributable reserves amounted to HK\$924,053,000.

27. Acquisition of Subsidiaries

	<i>HK\$'000</i>
Net assets acquired:	
Fixed assets	1,235,218
Mining rights	23,499
Interests in associates	29,958
Other investments	384
Retention monies receivable	12,115
Prepaid rentals	4,779
Deferred tax assets	14,335
Stocks	82,457
Trade receivables	341,671
Other receivables	38,533
Amounts due from fellow subsidiaries	28,214
Amounts due from associates	3,607
Pledged bank deposits	9,129
Cash and bank balances	225,880
Trade payables	(157,992)
Other payables	(120,593)
Amounts due to fellow subsidiaries	(42,413)
Amounts due to minority interests	(3,224)
Amounts due to associates	(13)
Taxation payable	(2,389)
Bank loans	(529,914)
Loans from minority interests	(91,274)
Loans from fellow subsidiaries	(11,999)
Advance from minority interest	(16,967)
Deferred tax liabilities	(45,991)
Minority interests	(93,245)
	<hr/>
	933,765
Goodwill on acquisition	23,986
Negative goodwill on acquisition	(37,259)
	<hr/>
Total consideration	<u>920,492</u>

HK\$'000

Discharged by:

Cash	23,180
Issue of shares	870,849
Reclassification of interests in associates upon acquisition of the remaining interests of the associates	26,463

 920,492

Analysis of the net inflow of cash and cash equivalents in respect of
the acquisition of subsidiaries:

Cash consideration paid	(23,180)
Cash and bank balances acquired	225,880

 202,700

The Group's turnover and profit from operations were substantially contributed by the subsidiaries acquired.

28. Operating Lease Commitments

At the balance sheet date, the Group had outstanding commitments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	The Group HK\$'000
Within one year	7,426
In the second to fifth year inclusive	7,977
Over five years	308
	<hr/> 15,711 <hr/>

Operating lease payments represent rentals payable by the Group and the Company for certain of its rented premises. Leases are negotiated for an average term of three years.

The Company did not have any operating lease commitments at the balance sheet date.

29. Contingent Liabilities

The Group
HK\$'000

Guarantees given to financial institutions to facilitate hire purchase loans granted to the Group's sub-contractors for acquisition of trucks	2,567
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The Company did not have any significant contingent liability as at the balance sheet date.

30. Capital Commitments

Capital commitments for purchase and construction of fixed assets outstanding at the balance sheet date are as follows:

The Group
HK\$'000

Contracted for but not provided for	19,146
Authorised but not contracted for	154,654
	<u>173,800</u>

The Company did not have any capital commitments as at the balance sheet date.

31. Pledge of Assets

At 31 December 2003, the Group has pledged certain land and buildings, silo, plant and machinery, barge and pier and other fixed assets with net book values of HK\$52,773,000, HK\$104,577,000, HK\$274,810,000, HK\$55,628,000 and HK\$9,304,000 respectively to banks to secure bank facilities granted to the Group.

32. Related Party Transactions

During the period, the Group entered into transactions with related parties as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Sales of goods to fellow subsidiaries	<i>(a)</i>	14,194
Purchase of goods from fellow subsidiaries	<i>(b)</i>	6,570
Testing services provided to fellow subsidiaries	<i>(a)</i>	394

Notes:

- (a) The prices of these transactions were determined between the parties with reference to the market prices.
- (b) The purchase prices of these transactions were determined between the parties with reference to the market prices.

In addition, the following related party transactions took place during the Period.

On 20 June 2003, the Company entered into an option deed with CR Holdings, pursuant to which a call option is granted to the Company by CR Holdings which provides the Company with the right to call for the transfer to it, all or any part of the 73.5% interest in Guangxi Ping Nan China Resources Yu Feng Cement Co., Limited (the "Ping Nan Joint Venture"), a company established on 20 May 2002 for the purpose of engaging in cement production in Ping Nan, Guangxi ZAR, at the original investment costs of CR Holdings plus interest at 0.5% above Hong Kong Interbank Offered Rate accruing from the period commencing on the respective dates of payment of such investment (whether in the form of capital contribution or shareholders' loans) up to the date of such transfer. Such option shall be exercisable for a period of twelve months from the commencement of commercial production of the Ping Nan Joint Venture.

33. Post Balance Sheet Event

In January 2004, the Group acquired from independent third parties the entire interests of 深圳市生成混凝土有限公司 (Shenzhen Shengcheng Concrete Limited) and 深圳市文偉混凝土有限公司 (Shenzhen Wenwei Concrete Limited) which are engaged in the business of concrete batching, at the considerations of RMB10,980,000 (equivalent to HK\$10,299,000) and RMB20,000,000 (equivalent to HK\$18,760,000) respectively.

34. Subsidiaries

Details of the Company's subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Bigwood Limited	Hong Kong	HK\$20	–	100%	Property investment
Britscore Properties Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Cheer Forward Limited	Hong Kong	HK\$2	–	100%	Inactive
China Resources Cement Limited (formerly known as Innovative Market Limited)	British Virgin Islands	US\$2	100%	–	Investment holding
China Resources Concrete Limited (formerly known as Redland Holdings Limited)	British Virgin Islands	US\$1,000	100%	–	Investment holding

APPENDIX III
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
China Resources Dongguan Cement Manufactory Holdings Limited (formerly known as China Resources Cement Company Limited)	Hong Kong	HK\$150,000,000	–	75%	Investment holding and trading of cement and related products
China Resources Dongguan Concrete Co., Ltd.	Chinese Mainland	HK\$17,000,000	–	100%	Manufacture and sale of concrete
Clear Bright Investments Limited	British Virgin Islands	US\$2	–	100%	Investment holding
Dongguan Huarun Cement Manufactory Co., Ltd.	Chinese Mainland	HK\$149,000,000	–	100%	Manufacture and sale of cement
Dongguan Redland Precast Concrete Products Limited	Chinese Mainland	HK\$12,800,000	–	100%	Manufacture and sale of precast concrete products
Dynashare Investments Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Falcon Strength Limited	British Virgin Islands	US\$1	–	100%	Inactive
First Route Limited	Hong Kong	HK\$2	–	100%	Property holding

APPENDIX III
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Flavour Glory Limited	British Virgin Islands	US\$2	–	100%	Investment holding
Full Sincere Limited	British Virgin Islands	US\$2	–	100%	Investment holding
General Perfect Limited	Hong Kong	HK\$2	–	100%	Property holding
Goodsales Investments Limited	British Virgin Islands	US\$2	–	100%	Investment holding
Guangxi China Resources Hongshuihe Cement Co., Ltd.	Chinese Mainland	RMB200,000,000	–	70%	Manufacture and sale of cement
Guangxi China Resources Hongshuihe Pier Store Limited	Chinese Mainland	RMB2,000,000	–	95%	Property holding
Hasing Limited	Hong Kong	HK\$2	–	100%	Investment holding
Joyce Ocean Limited	British Virgin Islands	US\$2	–	100%	Investment holding
Maple Hall International Limited	British Virgin Islands	US\$1	–	100%	Investment holding
New Age Resources Ltd.	British Virgin Islands	US\$2	–	100%	Investment holding
New Age Worldwide Ltd.	British Virgin Islands	US\$2	–	100%	Investment holding
Profit Success Development Limited	Hong Kong	HK\$10,000	–	100%	Property holding

APPENDIX III
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Prosper Supreme Limited	Hong Kong	HK\$2	–	100%	Investment holding
Quality Control Consultants Limited	Hong Kong	HK\$200,000	–	100%	Concrete testing and consultancy services
Redland Ash Limited	Hong Kong	HK\$2	–	100%	Trading of fly ash
Redland Concrete Limited	Hong Kong	HK\$10	–	100%	Manufacture and sales of concrete
Redland Concrete (China) Limited	Hong Kong	HK\$2	–	100%	Inactive
Redland Concrete Connections Limited	Hong Kong	HK\$2	–	100%	Trading of dry mortars
Redland Construction Materials Limited	Hong Kong	HK\$2	–	100%	Trading of construction materials
Redland – GRC Joint Venture Limited	Hong Kong	HK\$100	–	100%	Inactive
Redland Mortars Limited	Hong Kong	HK\$2	–	100%	Trading of mortars
Redland Precast Concrete Products Limited	Hong Kong	HK\$70,000,000	–	100%	Manufacture and sale of precast concrete products
Redland Precast Concrete Products Pte Ltd.	Singapore	S\$100,000	–	100%	Inactive
Redland Quarries Limited	Hong Kong	HK\$2	–	100%	Inactive

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Redland Shotcrete Limited	Hong Kong	HK\$2	–	100%	Trading of shotcrete
Shenzhen China Resources Tiejian Concrete Co., Ltd.	Chinese Mainland	RMB25,000,000	–	70%	Manufacture and sale of concrete
Standard Wealth Investment Limited	Hong Kong	HK\$2	–	100%	Property holding
Wealth Trinity Limited	British Virgin Islands	US\$2	–	100%	Investment holding
Zhanjiang China Resources Hongshuihe Cement Co., Ltd.	Chinese Mainland	HK\$5,680,000	–	51%	Manufacture and sale of cement

35. Associate

Details of the Group's associate at 31 December 2003 are as follows:

Name of associate	Place of incorporation	Nominal value of issued ordinary shares	Proportion of nominal value of issued share capital held by the Group		Principal activity
Man Wah Quarry Limited	Hong Kong	HK\$100,000		50%	Inactive

III. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2004

The following is an extract of the unaudited financial statements of the Group from its interim report for the six months ended 30 June 2004.

PROFIT AND LOSS ACCOUNT

		Consolidated		Pro forma combined (Note 3)
		13 March 2003 (date of 1 January 2004 incorporation) 1 January 2003		
		to 30 June 2004 (Unaudited)	to 30 June 2003 (Unaudited)	to 30 June 2003 (Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000
Turnover	4	671,270	–	460,663
Cost of sales		(481,627)	–	(352,405)
Gross profit		189,643	–	108,258
Other income		12,861	–	9,796
Selling and distribution expenses		(53,893)	–	(43,194)
General and administrative expenses		(73,999)	–	(39,357)
Profit from operations		74,612	–	35,503
Finance costs	5	(9,945)	–	(5,779)
Share of results of associates		–	–	504
Profit before taxation	6	64,667	–	30,228
Taxation	7	(5,492)	–	(4,257)
Profit before minority interests		59,175	–	25,971
Minority interests		(13,989)	–	(4,397)
Profit attributable to shareholders		45,186	–	21,574
Earnings per share (HK\$)	8			
– basic		0.125	–	0.059
– diluted		0.124	–	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2004 (Unaudited) HK\$'000	At 31 December 2003 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Fixed assets	9	1,312,761	1,252,412
Intangible assets		13,259	10,952
Interest in an associate		72	72
Other investments		18	35
Retention monies receivable			
due after one year		7,072	4,334
Prepaid rentals		3,675	3,958
Deferred tax assets		7,786	13,246
		<hr/>	<hr/>
		1,344,643	1,285,009
		<hr/>	<hr/>
Current assets			
Stocks		87,968	81,662
Retention monies receivable			
due within one year		6,663	9,797
Trade receivables	10	396,392	348,739
Other receivables		60,825	60,968
Pledged bank deposits		–	1,032
Cash and bank balances		243,337	332,913
		<hr/>	<hr/>
		795,185	835,111
		<hr/>	<hr/>
Current liabilities			
Trade payables	11	117,546	150,890
Other payables		158,508	132,528
Amounts due to fellow subsidiaries		474	474
Amounts due to minority shareholders			
of subsidiaries		2,959	3,152
Taxation payable		261	113
Bank loans			
Amount due within one year	12	489,584	558,602
		<hr/>	<hr/>
		769,332	845,759
		<hr/>	<hr/>

		At 30 June 2004 (Unaudited) HK\$'000	At 31 December 2003 (Audited) HK\$'000
Net current assets (liabilities)		25,853	(10,648)
Total assets less current liabilities		1,370,496	1,274,361
Non-current liabilities			
Bank loans			
Amount due after one year	<i>12</i>	132,445	103,814
Loans from minority shareholders of subsidiaries		38,403	28,937
Advance from a minority shareholder of a subsidiary		12,194	12,194
Deferred tax liabilities		44,021	44,836
		227,063	189,781
Minority interests		114,003	100,063
Net assets		1,029,430	984,517
Capital and reserves			
Share capital		36,281	36,281
Reserves		993,149	948,236
Shareholders' funds		1,029,430	984,517

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Issue of share on 13 March 2003 (date of incorporation)	–	–	–	–	–
Issue of share for cash	–	100,000	–	–	100,000
At 30 June 2003	–	100,000	–	–	100,000
Issue of shares for the acquisition of subsidiaries	15,476	855,373	–	–	870,849
Capitalisation issue	20,805	(20,805)	–	–	–
Share issuing expenses	–	(8,649)	–	–	(8,649)
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong not recognised in the consolidated profit and loss account	–	–	(1,236)	–	(1,236)
Profit attributable to shareholders for the period	–	–	–	23,553	23,553
At 31 December 2003 (Audited)	36,281	925,919	(1,236)	23,553	984,517
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong not recognised in the consolidated profit and loss account (Unaudited)	–	–	(273)	–	(273)
Profit attributable to shareholders for the period (Unaudited)	–	–	–	45,186	45,186
At 30 June 2004 (Unaudited)	36,281	925,919	(1,509)	68,739	1,029,430

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		13 March 2003	
		(date of	
	1 January 2004	incorporation)	
	to	to	
	30 June 2004	30 June 2003	
	(Unaudited)	(Unaudited)	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated			
from operating activities		51,958	–
Net cash used in investing activities	16	(110,614)	–
Net cash used in financing activities		(30,920)	–
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(89,576)	–
Cash and cash equivalents at beginning of the period		332,913	–
		<hr/>	<hr/>
Cash and cash equivalents at end of the period, representing cash and bank balances		<u>243,337</u>	<u>–</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**1. Basis of Preparation**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with SSAP No. 25 “Interim financial reporting.”

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with accounting policies that are consistent with those followed in the preparation of the Group’s financial statements for the period from 13 March 2003 (date of incorporation) to 31 December 2003.

3. Pro Forma Combined Financial Information

- A. The pro forma combined profit and loss account for the six months ended 30 June 2003 of the Enlarged Group has been extracted from the Company’s Interim Report 2003 for information purposes only. The pro forma combined profit and loss account of the Enlarged Group may not be indicative of the results of the Enlarged Group for the six months ended 30 June 2003 had the Company always been the holding company of the Enlarged Group.
- B. The pro forma combined profit and loss account of the Enlarged Group for the six months ended 30 June 2003 has been prepared based on the unaudited financial statements, which are prepared in accordance with accounting principles generally accepted in Hong Kong, of the companies comprising the Enlarged Group and also making certain pro forma adjustments as described in the Company’s Interim Report for 2003, which are considered appropriate by the Directors for the purpose of preparing the pro forma combined financial information of the Enlarged Group.
- C. The pro forma combined financial information has been prepared under the historical cost convention and is consistent with those accounting policies followed in the preparation of Group’s financial statement for the period from 13 March 2003 (date of incorporation) to 31 December 2003 except that the Group Reorganisation and the Acquisition did not satisfy the criteria for the application of merger accounting as set out in SSAP No. 27 “Accounting for group reconstructions” issued by HKICPA.

4. Turnover and Segment Information

Primary reporting format – business segments

For the six months ended 30 June

	Cement		Concrete		Elimination		Group	Enlarged Group
	Pro forma		Pro forma		Pro forma		Consolidated	Pro forma
	Consolidated	combined	Consolidated	combined	Consolidated	combined		
	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover								
External sales	349,352	268,426	321,918	192,237	–	–	671,270	460,663
Inter-segment sales	53,153	30,103	125	361	(53,278)	(30,464)	–	–
	<u>402,505</u>	<u>298,529</u>	<u>322,043</u>	<u>192,598</u>	<u>(53,278)</u>	<u>(30,464)</u>	<u>671,270</u>	<u>460,663</u>
Results								
Segment results	70,115	24,084	14,187	11,419	–	–	84,302	35,503
Interest income							305	–
Unallocated corporate expenses							(9,995)	–
Profit from operations							74,612	35,503
Finance costs							(9,945)	(5,779)
Share of results of associates	–	–	–	504	–	–	–	504
Profit before taxation							64,667	30,228
Taxation							(5,492)	(4,257)
Profit before minority interests							59,175	25,971
Minority interests							(13,989)	(4,397)
Profit attributable to shareholders							<u>45,186</u>	<u>21,574</u>

5. Finance Costs

For the six months ended 30 June

	Consolidated 2004 (Unaudited) HK\$'000	Pro forma combined 2003 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	9,824	8,579
Loans from minority shareholders of subsidiaries	648	1,538
	<hr/>	<hr/>
	10,472	10,117
<i>Less:</i> Amount capitalised to fixed assets	(527)	(4,338)
	<hr/>	<hr/>
	9,945	5,779
	<hr/> <hr/>	<hr/> <hr/>

6. Profit Before Taxation

For the six months ended 30 June

	Consolidated 2004 (Unaudited) <i>HK\$'000</i>	Pro forma combined 2003 (Unaudited) <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of fixed assets	45,890	33,243
Amortisation of goodwill (included in general and administrative expenses)	2,561	–
Amortisation of mining rights (included in general and administrative expenses)	484	182
Amortisation of prepaid rentals (included in general and administrative expenses)	283	283
Loss on disposal of fixed assets	2,779	–
and after crediting:		
Interest income	305	–
Release of negative goodwill (included in other income)	3,726	–
	<u>3,726</u>	<u>–</u>

7. Taxation

For the six months ended 30 June

	Consolidated 2004 (Unaudited) HK\$'000	Pro forma combined 2003 (Unaudited) HK\$'000
The taxation charge (credit) comprises:		
Current taxation		
Hong Kong Profits Tax	1,406	1,276
Chinese Mainland Enterprise Income Tax	(729)	–
	<u>677</u>	<u>1,276</u>
Deferred taxation		
Hong Kong	(1,751)	1,639
Chinese Mainland	6,566	1,129
Share of taxation attributable to associates		
Hong Kong	–	213
	<u>5,492</u>	<u>4,257</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the period.

Chinese Mainland Enterprise Income Tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the relevant subsidiaries in the Chinese Mainland.

8. Earnings Per Share

For the six months ended 30 June

The calculation of the basic and diluted earnings per share is based on the following data:

	Consolidated 2004 (Unaudited) HK\$'000	Pro forma combined 2003 (Unaudited) HK\$'000
Earnings		
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	45,186	21,574
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	362,807,461	362,807,461
Effect on dilutive potential shares on share options	1,218,203	–
Weighted average number of shares for the purpose of calculating diluted earnings per share	364,025,664	362,807,461

Note: The pro forma combined basic earnings per share was calculated on the assumption that 362,807,461 shares were in issued throughout the period as if the Group Reorganisation and the Acquisition had been completed on 1 January 2003.

No pro forma combined diluted earnings per share for 2003 is presented as the Company did not have any dilutive potential shares at 30 June 2003.

9. Additions to Fixed Assets

During the six months ended 30 June 2004, the Group spent approximately HK\$100,340,000 on acquisition of fixed assets.

10. Trade Receivables

The Group's trade receivables comprise:

	At 30 June 2004 (Unaudited) <i>HK\$'000</i>	At 31 December 2003 (Audited) <i>HK\$'000</i>
Trade receivables from outsiders	347,852	307,360
Trade receivables from fellow subsidiaries	4,572	7,827
Trade receivables from minority shareholders of subsidiaries	43,968	33,552
	<u>396,392</u>	<u>348,739</u>

The following is the aging analysis of trade receivables of the Group at the balance sheet date:

	At 30 June 2004 (Unaudited) <i>HK\$'000</i>	At 31 December 2003 (Audited) <i>HK\$'000</i>
0 – 90 days	279,767	248,458
91 – 180 days	46,842	27,128
181 – 365 days	30,174	52,316
Over 365 days	39,609	20,837
	<u>396,392</u>	<u>348,739</u>

The Group normally trades with its customers under the following credit terms:

- (a) Cash upon delivery; and
- (b) Open credit from 30 to 90 days.

11. Trade Payables

The Group's trade payables comprise:

	At 30 June 2004 (Unaudited) <i>HK\$'000</i>	At 31 December 2003 (Audited) <i>HK\$'000</i>
Trade payables to outsiders	100,541	132,468
Trade payables to fellow subsidiaries	7,741	7,420
Trade payables to minority shareholders of subsidiaries	9,264	11,002
	<u>117,546</u>	<u>150,890</u>

The following is the aging analysis of trade payables of the Group at the balance sheet date:

	At 30 June 2004 (Unaudited) <i>HK\$'000</i>	At 31 December 2003 (Audited) <i>HK\$'000</i>
0 – 90 days	84,597	90,026
91 – 180 days	19,700	19,308
181 – 365 days	4,343	19,823
Over 365 days	8,906	21,733
	<u>117,546</u>	<u>150,890</u>

12. Bank Loans

During the current period, the Group obtained new bank loans of HK\$166,026,000 and repaid bank loans of HK\$206,414,000. The bank loans bear interest at market rates and are repayable over a period of three years.

13. Contingent Liabilities

	At 30 June 2004 (Unaudited) <i>HK\$'000</i>	At 31 December 2003 (Audited) <i>HK\$'000</i>
Guarantees given to financial institutions to facilitate hire purchase loans granted to the Group's sub-contractors for acquisition of trucks	972	2,567

14. Capital Commitments

Capital commitments for purchase and construction of fixed assets outstanding at the balance sheet date are as follows:

	At 30 June 2004 (Unaudited) <i>HK\$'000</i>	At 31 December 2003 (Audited) <i>HK\$'000</i>
Contracted for but not provided for	124,009	19,146
Authorised but not contracted for	56,642	154,654
	<u>180,651</u>	<u>173,800</u>

15. Pledge of Assets

At 30 June 2004, the Group has pledged certain land and buildings, silo, plant and machinery, barge and pier and other fixed assets with net book values of approximately HK\$73,045,000 (31/12/2003: HK\$52,773,000), HK\$103,573,000 (31/12/2003: HK\$104,577,000), HK\$301,981,000 (31/12/2003: HK\$274,810,000), HK\$54,374,000 (31/12/2003: HK\$55,628,000) and HK\$26,802,000 (31/12/2003: HK\$9,304,000) respectively to banks to secure bank facilities granted to the Group.

16. Net Cash Used In Investing Activities

During the six months ended 30 June 2004, net cash used in investing activities included cash used in acquisition of subsidiaries as follows:

	Consolidated 2004 (Unaudited) HK\$'000	Pro forma combined 2003 (Unaudited) HK\$'000
Net assets acquired	27,434	–
Goodwill on acquisition	1,626	–
	<hr/>	<hr/>
Total consideration	29,060	–
	<hr/>	<hr/>
Discharged by:		
Cash	24,726	–
Deferred consideration included in other payables	4,334	–
	<hr/>	<hr/>
	29,060	–
	<hr/>	<hr/>
Analysis of the net outflow of cash and cash equivalent:		
Cash consideration paid	(24,726)	–
Cash and bank balances acquired	18	–
	<hr/>	<hr/>
	(24,708)	–
	<hr/> <hr/>	<hr/> <hr/>

Subsidiaries acquired during the current period did not make any significant contribution to the results of the Group.

17. Related Party Transactions

During the six months ended 30 June 2004, the Group entered into transactions with related parties as follows:

	Consolidated 2004 (Unaudited) HK\$'000	Pro forma combined 2003 (Unaudited) HK\$'000
Continuing transactions:		
Sale of goods to fellow subsidiaries	14,119	5,237
Purchase of goods from fellow subsidiaries	20,235	8,494
	<u> </u>	<u> </u>
Discontinued transactions:		
Sale of goods to a fellow subsidiary	–	24,055
Sale of goods to a former associate	–	2,761
Purchase of goods from a fellow subsidiary	–	24,055
Interest paid to fellow subsidiaries	–	437
	<u> </u>	<u> </u>

The above transactions were entered into in accordance with mutually agreed terms with reference to market price or in accordance with the terms of the contracts or agreements governing the transactions.

18. Post Balance Sheet Event

On 19 July 2004, the Company's indirect wholly owned subsidiary, Goodsales Investments Limited, entered into an agreement with 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) for the acquisition of the remaining 30% shareholding interests in Shenzhen CR Tiejian, at a consideration of RMB15.0 million (equivalent to approximately HK\$14.2 million). Thereafter, Shenzhen CR Tiejian became the Group's wholly owned subsidiary.

INDEBTEDNESS

As at the close of business on 31 October 2004, being the latest practicable date for the indebtedness statement prior to the printing of this Prospectus, the Group had total bank loans and bank overdraft of approximately HK\$1,016.6 million, of which bank loans of approximately HK\$282.6 million were secured by the Group's certain fixed assets with the carrying value as at 31 October 2004 of approximately HK\$559.5 million. Of the bank loans and bank overdraft of approximately HK\$1,016.6 million, the amount of approximately HK\$382.2 million and HK\$24.0 million were guaranteed by China Resources Holdings and Sumitomo Corporation respectively.

As at 31 October 2004, the Group also had loans from minority shareholders of subsidiaries of approximately HK\$35.6 million which are unsecured and interest bearing.

As at 31 October 2004, the Group had contingent liabilities in respect of guarantees given to financial institutions to facilitate hire purchase loans granted to its sub-contractors for acquisition of trucks of approximately HK\$0.5 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the group did not have outstanding at the close of business on 31 October 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Amounts in foreign currency have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the applicable rate of exchange ruling at the close of business on 31 October 2004.

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 31 October 2004, being the latest practicable date for the indebtedness statement prior to the printing of the Prospectus.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position, and the aggregate value of the investment in land and buildings of the Group since 31 December 2003, the date to which the latest audited consolidated financial statements of the Group were made up.

PARTICULARS OF THE DIRECTORS**Executive Directors**

Mr. Qiao Shibo, aged 50, has been an executive Director since March 2003 and the Chairman of the Company since April 2003 and is responsible for the business and strategic planning of the Company. Mr. Qiao holds a bachelor's degree in Chinese language and literature from the Jilin University in China. He had been a senior official of the former Ministry of Foreign Trade and Economic Cooperation (now known as Ministry of Commerce). He is also a deputy managing director of China Resources Enterprise, Limited, a director and vice president of China Resources Holdings and a director of CRNC.

Mr. Shi Shanbo, aged 39, has been an executive Director since March 2003 and the Vice Chairman and General Manager of the Company since June 2003, is responsible for overseeing and management of the overall business operations of the Group. Mr. Shi holds a master's degree in economics from Dongbei University of Finance and Economics in China. He joined China Resources Holdings in 1991 and has over 13 years of experience in corporate finance, human resources management and strategic planning.

Ms. Zhou Junqing, aged 51, was appointed an executive Director in June 2003 and is the General Manager of our Cement Business Division. Ms. Zhou holds a bachelor's degree in wireless technology from Tsinghua University in China. She joined China Resources Holdings in 1986 and has over 18 years of experience in international trade and corporate management. She is an executive member of the 2nd council of the Fifth Standing Committee of the China Cement Association and Vice Chairman of the 4th Session of Guangdong Province Cement Industry Association.

Mr. Zhou Longshan, aged 44, was appointed an executive Director in March 2003 and is the General Manager of our Concrete Business Division and Redland Concrete. Mr. Zhou holds a bachelor's degree in economics from the Jilin Finance and Trade Institute in China. He joined China Resources Holdings in 1984 and has over 20 years of experience in international trade and corporate management.

Ms. Sun Mingquan, aged 50, was appointed an executive Director in June 2003 and is responsible for the strategic development and project management of our Cement Business Division. Ms. Sun holds a bachelor's degree in economics from the University of International Business and Economics in China. She joined China Resources Holdings in 1984 and has over 20 years of experience in international trade and corporate management.

Mr. Zheng Yi, aged 44, was appointed an executive Director in June 2003 and is responsible for the procurement, logistic and marketing operations of our Cement Business Division. Mr. Zheng holds a master's degree from Dalian University of Technology in China. He joined China Resources Holdings in 1986 and has over 18 years of experience in sales and marketing and corporate management.

Non-executive Directors

Mr. Jiang Wei, aged 41, was appointed a non-executive Director in June 2003. Mr. Jiang holds a bachelor's degree in international trade and a master's degree in International Business and Finance from the University of International Business and Economics in China. He is a director of China Assets (Holdings) Limited and China Resources Enterprise, Limited. He is also a director and Chief Financial Officer of China Resources Holdings.

Mr. Keung Chi Wang, Ralph, aged 48, was appointed an executive Director in June 2003 and re-designated as a non-executive Director in July 2003. Mr. Keung graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) and is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He is also a deputy managing director of China Resources Enterprise, Limited and a non-executive director of China Resources Land Limited. He has over 20 years of experience in auditing, accounting and corporate finance.

Independent Non-executive Directors

Mr. Chan Mo Po, Paul, aged 49, was appointed an independent non-executive Director in June 2003. Mr. Chan graduated from The Chinese University of Hong Kong where he obtained both his bachelor's and master's degree in business administration. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrator, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. He is currently a vice president of the Hong Kong Institute of Certified Public Accountants.

Mr. Lin Zongshou, aged 47, was appointed an independent non-executive Director in June 2003. Mr. Lin holds a master's degree in inorganic and non-metallic material from Wuhan University of Technology and a bachelor's degree in building material from Tongji University of Shanghai. Mr. Lin is a professor and Ph.D. supervisor of Wuhan University of Technology and a director of the Chinese Cement Association. He was a winner of the "Wuyi Labour Medal" awarded by the All-China Federation of Labour Unions. He is entitled to the "Special Allowance" awarded by the State Department of the PRC and is a delegate of the Ninth and the Tenth National People's Congress of the PRC. He is an independent non-executive director of Hua Xin Cement Co., Ltd, a company listed on the Shanghai Stock Exchange.

Mr. Lui Pui Kee, Francis, aged 54, was appointed an independent non-executive Director in June 2003. Mr. Lui holds a bachelor of science degree from University of Wisconsin – Stout in the United States. He is currently the Group Managing Director of TCC Group, an independent non-executive director of Tse Sui Luen Jewellery (International) Limited and a visiting professor of the Renmin University of China. He has held senior positions in local and international financial institutions in Hong Kong.

SENIOR MANAGEMENT

Mr. Lau Chung Kwok Robert, aged 48, joined the Company in May 2003 and is the Chief Financial Officer of the Company. Mr. Lau holds a bachelor's degree in social sciences from the University of Hong Kong and has over 20 years of experience in reorganisation, assurance and advisory services. He 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.

SHARE OPTION SCHEME

Under the share option scheme of the Company (the "Option Scheme"), a total of 36,120,000 options is outstanding as at the Latest Practicable Date as follows:

Date of grant	Movement during 29 July 2003 to the Latest Practicable Date			Outstanding as at the Latest Practicable Date
	Granted (note 1)	Exercised	Cancelled (note 2)	
5 December 2003	28,480,000	–	860,000	27,620,000
16 December 2004	8,500,000	–	–	8,500,000
Total	<u>36,980,000</u>	<u>–</u>	<u>860,000</u>	<u>36,120,000</u>

Notes:

- (1) The options were granted to directors and employees of the Company and its subsidiaries and certain eligible participants pursuant to the Option Scheme.
- (2) Certain options were cancelled as the result of termination of employment of the relevant employees with the Company or its subsidiaries.
- (3) Consideration for each of the grants is HK\$1.00
- (4) The duration of the option is ten years from the date of grant.

- (5) The options granted on 5 December 2003 are exercisable in 5 tranches of 20% each from 5 December 2004. The option granted on 16 December 2004 are exercisable in 4 tranches of 25% each from 16 December 2005.
- (6) Except for the outstanding share options for 36,120,000 shares granted to Directors, employees and other participants of the Company's share option scheme, the Company had no other outstanding options, warrants or convertible securities as at the Latest Practicable Date.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY 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 or which were required, pursuant to the requirements of the Takeovers Code, to be disclosed in this Prospectus, 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 1) %
Qiao Shibo	Beneficial owner	–	3,800,000	3,800,000	1.047
Shi Shanbo	Beneficial owner	–	3,100,000	3,100,000	0.854
Zhou Junqing	Beneficial owner	–	2,800,000	2,800,000	0.772
Zhou Longshan	Beneficial owner	–	2,800,000	2,800,000	0.772
Sun Mingquan	Beneficial owner	–	2,600,000	2,600,000	0.717
Zheng Yi	Beneficial owner	–	2,600,000	2,600,000	0.717
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 HK\$	Number of underlying Shares	Aggregate
					long position in underlying Shares to issued share capital of the Company (Note 1) %
Qiao Shibo	5 December 2003	4 December 2013	2.325	3,000,000	1.047
	16 December 2004	15 December 2014	1.660	800,000	
Shi Shanbo	5 December 2003	4 December 2013	2.325	2,300,000	0.854
	16 December 2004	15 December 2014	1.660	800,000	
Zhou Junqing	5 December 2003	4 December 2013	2.325	2,000,000	0.772
	16 December 2004	15 December 2014	1.660	800,000	
Zhou Longshan	5 December 2003	4 December 2013	2.325	2,000,000	0.772
	16 December 2004	15 December 2014	1.660	800,000	
Sun Mingquan	5 December 2003	4 December 2013	2.325	1,800,000	0.717
	16 December 2004	15 December 2014	1.660	800,000	
Zheng Yi	5 December 2003	4 December 2013	2.325	1,800,000	0.717
	16 December 2004	15 December 2014	1.660	800,000	
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:

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

(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 shares and underlying shares to issued share capital of CRE <i>(Note 1)</i> %
Qiao Shibo	Beneficial owner	–	3,800,000	3,800,000	0.179
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	150,000	634,000	784,000	0.037
Zheng Yi	Beneficial owner	–	60,000	60,000	0.003
Jiang Wei	Beneficial owner	–	600,000	600,000	0.028
Keung Chi Wang, Ralph	Beneficial owner	–	2,966,000	2,966,000	0.139

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	0.179
	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	300,000	0.033 (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
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	0.139
	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 2,127,505,215 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 634,000 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
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
Jiang Wei	9 April 2002	8 April 2012	0.820	720,000	0.027

Notes:

1. Based on 2,650,256,071 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
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
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
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 long position in 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
Jiang Wei	12 November 2003	5 October 2013	2.80	1,000,000	0.026

Notes:

1. Based on 3,808,080,000 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.

Mr. Qiao Shibo and Mr. Jiang Wei, being Directors, are also directors of China Resources Holdings; Mr. Qiao Shibo is also director of China Resources National Corporation (“CRNC”).

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 the Company:

Name of interested party	Number of Shares	Approximate shareholding %
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. Each of CRNC, China Resources Co., Limited and CRC Bluesky Limited is deemed by virtue of Section 316 of Part XV of the SFO to have the same interests in shares as those of China Resources Holdings.

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 Dongguan Cement Manufactory Holdings Limited	(1) Sumitomo Corporation and its Associate, Sumitomo Corporation (Hong Kong) Ltd.	12.5
	(2) UBE Industries Ltd.	12.5
Guangxi Hongshuihe Cement Joint Stock Company Limited	China National Building Material Group Corporation	12.2
Zhanjiang China Resources Hongshuihe Cement Co., Ltd.	Profit Pool Holdings Limited	30.0

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.

PRINCIPAL INVESTMENT OF THE COMPANY

Usage	Planned <i>HK\$ million</i>	Invested as at 31 December 2004		Location
		<i>HK\$ million</i>		
New 5,000 tonnes per day clinker manufacturing plant	656.6	88.0		Guigang, Guangxi, PRC
New 500,000 tonnes per year vertical slag powder mill	111.6	44.0		Dongguan, Guangdong, PRC

DETAILS OF THE COMPANY'S MATERIAL SUBSIDIARIES AS AT 31 DECEMBER 2003

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities	Date of Incorporation
			Directly	Indirectly		
Bigwood Limited	Hong Kong	HK\$20	–	100%	Property investment	21 June 1988
Britscore Properties Limited	British Virgin Islands	US\$1	–	100%	Investment holding	6 January 2000
Cheer Forward Limited	Hong Kong	HK\$2	–	100%	Inactive	26 April 2002
China Resources Cement Limited	British Virgin Islands	US\$2	100%	–	Investment holding	8 May 1997
China Resources Concrete Limited	British Virgin Islands	US\$1,000	100%	–	Investment holding	29 April 1997

APPENDIX IV
ADDITIONAL INFORMATION OF THE GROUP

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities	Date of Incorporation
			Directly	Indirectly		
China Resources Dongguan Cement Manufactory Holdings Limited	Hong Kong	HK\$150,000,000	–	75%	Investment holding and trading of cement and related products	25 January 1994
China Resources Dongguan Concrete Co., Ltd.	Chinese Mainland	HK\$17,000,000	–	100%	Manufacture and sale of concrete	24 June 2002
Clear Bright Investments Limited	British Virgin Islands	US\$2	–	100%	Investment holding	8 January 2003
Dongguan Huarun Cement Manufactory Co., Ltd.	Chinese Mainland	HK\$149,000,000	–	100%	Manufacture and sale of cement	23 May 1994
Dongguan Redland Precast Concrete Products Limited	Chinese Mainland	HK\$12,800,000	–	100%	Manufacture and sale of precast concrete products	12 June 2000
Dynashare Investments Limited	British Virgin Islands	US\$1	–	100%	Investment holding	18 July 2000
Falcon Strength Limited	British Virgin Islands	US\$1	–	100%	Inactive	6 January 2000
First Route Limited	Hong Kong	HK\$2	–	100%	Property holding	9 January 1996

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ADDITIONAL INFORMATION OF THE GROUP

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities	Date of Incorporation
			Directly	Indirectly		
Flavour Glory Limited	British Virgin Islands	US\$2	–	100%	Investment holding	2 January 2003
Full Sincere Limited	British Virgin Islands	US\$2	–	100%	Investment holding	2 January 2003
General Perfect Limited	Hong Kong	HK\$2	–	100%	Property holding	16 May 1989
Goodsales Investments Limited	British Virgin Islands	US\$2	–	100%	Investment holding	2 January 2003
Guangxi China Resources Hongshuihe Cement Co., Ltd.	Chinese Mainland	RMB200,000,000	–	70%	Manufacture and sale of cement	24 December 2001
Guangxi China Resources Hongshuihe Pier Store Limited	Chinese Mainland	RMB2,000,000	–	95%	Property holding	24 July 2002
Hasing Limited	Hong Kong	HK\$2	–	100%	Investment holding	5 March 1996
Joyce Ocean Limited	British Virgin Islands	US\$2	–	100%	Investment holding	17 September 1999
Maple Hall International Limited	British Virgin Islands	US\$1	–	100%	Investment holding	6 January 2000

APPENDIX IV**ADDITIONAL INFORMATION OF THE GROUP**

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities	Date of Incorporation
			Directly	Indirectly		
New Age Resources Ltd.	British Virgin Islands	US\$2	–	100%	Investment holding	18 March 1996
New Age Worldwide Ltd.	British Virgin Islands	US\$2	–	100%	Investment holding	18 March 1996
Profit Success Development Limited	Hong Kong	HK\$10,000	–	100%	Property holding	22 May 1987
Prosper Supreme Limited	Hong Kong	HK\$2	–	100%	Investment holding	5 March 1996
Quality Control Consultants Limited	Hong Kong	HK\$200,000	–	100%	Concrete testing and consultancy services	27 September 1985
Redland Ash Limited	Hong Kong	HK\$2	–	100%	Trading of fly ash	25 June 1996
Redland Concrete Limited	Hong Kong	HK\$10	–	100%	Manufacture and sales of concrete	28 February 1986
Redland Concrete (China) Limited	Hong Kong	HK\$2	–	100%	Inactive	23 March 1998
Redland Concrete Connections Limited	Hong Kong	HK\$2	–	100%	Trading of dry mortars	15 August 1996

APPENDIX IV
ADDITIONAL INFORMATION OF THE GROUP

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities	Date of Incorporation
			Directly	Indirectly		
Redland Construction Materials Limited	Hong Kong	HK\$2	–	100%	Trading of construction materials	27 May 1988
Redland – GRC Joint Venture Limited	Hong Kong	HK\$100	–	100%	Inactive	15 August 1997
Redland Mortars Limited	Hong Kong	HK\$2	–	100%	Trading of mortars	8 August 1986
Redland Precast Concrete Products Limited	Hong Kong	HK\$70,000,000	–	100%	Manufacture and sale of precast concrete products	25 July 1991
Redland Precast Concrete Products Pte Ltd.	Singapore	S\$100,000	–	100%	Inactive	24 March 1998
Redland Quarries Limited	Hong Kong	HK\$2	–	100%	Inactive	10 November 1987
Redland Shotcrete Limited	Hong Kong	HK\$2	–	100%	Trading of shotcrete	8 October 1997
Shenzhen China Resources Tiejian Concrete Co., Ltd.	Chinese Mainland	RMB25,000,000	–	70%	Manufacture and sale of concrete	26 March 2002
Standard Wealth Investment Limited	Hong Kong	HK\$2	–	100%	Property holding	26 May 1999

APPENDIX IV**ADDITIONAL INFORMATION OF THE GROUP**

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities	Date of Incorporation
			Directly	Indirectly		
Wealth Trinity Limited	British Virgin Islands	US\$2	–	100%	Investment holding	15 March 1999
Zhanjiang China Resources Hongshuihe Cement Co., Ltd.	Chinese Mainland	HK\$5,680,000	–	51%	Manufacture and sale of cement	3 March 2003

DETAILS OF THE GROUP'S ASSOCIATE AS AT 31 DECEMBER 2003

Name of associate	Place of incorporation	Nominal value of issued ordinary shares	Proportion of nominal value of issued share capital held by the Group		Principal activity	Date of Incorporation
Man Wah Quarry Limited	Hong Kong	HK\$100,000		50%	Inactive	20 November 1984

MATERIAL CONTRACTS

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

- an equity joint venture contract in Chinese dated 12 February 2003 between 廣西華潤紅水河水泥有限公司 (Guangxi China Resources Hongshuihe Cement Co. Ltd.) (“Guangxi CR Cement”) and 潤寶集團有限公司 (Profit Pool Holdings Limited) (“Profit Pool”) regarding the establishment of 湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement Company Limited) (“Zhanjiang CR Cement”) with a registered capital of HK\$5,680,000.00 in which Guangxi CR Cement owns 51%;
- a set of articles of association in Chinese dated 12 February 2003 signed by Guangxi CR Cement and Profit Pool in relation to the establishment of Zhanjiang CR Cement;
- a contract for the assignment of and licence to use trademarks in Chinese dated 31 May 2003 signed by 華潤機械五礦(集團)有限公司 (China Resources Machinery and Minmetals (Holdings) Co., Limited) (“Minmetals Holdings”), 晴朗投資有限公司 (Clear Bright Investments Limited) (“Dongguan Cement Holding”) and 東莞華潤水泥廠有限公司 (Dongguan Huarun Cement Manufactory Co., Ltd.) (“Dongguan Cement”) for the assignment of the registered trademarks, namely “東潤水泥” (“Dongrun Shuini”) and “潤豐水泥” (“Runfeng Shuini”), from Minmetals Holdings to Dongguan Cement Holding at nil consideration, under which an exclusive licence was also granted by Minmetals Holdings to Dongguan Cement for nil consideration to use the marks pending registration of the said transfer;
- an agreement for transfer of equity interest in Chinese dated 21 March 2003 between Dongguan Cement Holding and 華潤五金礦產有限公司 (China Resources Metals & Minerals Company Limited) (“CR Metals and Minerals”) in relation to the transfer of a 70% interest in Dongguan Cement by CR Metals and Minerals to Dongguan Cement Holding at a consideration of HK\$85,234,599.59;
- a loan assignment in Chinese dated 24 March 2003 between Dongguan Cement Holding, Minmetals Holdings and Dongguan Cement under which the benefit of the loan in the principal sum of HK\$121,200,000.00 due from Dongguan Cement to Minmetals Holdings was assigned to Dongguan Cement Holding in consideration of Dongguan Cement Holding paying the same amount to Minmetals Holdings;

- a loan assignment in Chinese dated 24 March 2003 between China Resources Cement Company Limited (subsequently changed to China Resources Dongguan Cement Manufactory Holdings Limited) (“CR Cement Company”), Minmetals Holdings and Dongguan Cement under which the benefit of the loan in the principal sum of HK\$94,180,000.00 due from Dongguan Cement to Minmetals Holdings was assigned to CR Cement Company in consideration of CR Cement Company paying the same amount to Minmetals Holdings;
- a supplemental agreement in Chinese dated 21 March 2003 between 廣東省東莞五金礦產進出口公司 (Guangdong Dangguan Metals and Minerals Import and Export Ltd.) (“Dongguan Metals and Minerals”), CR Metals and Minerals, Sumitomo Corporation (Hong Kong) Limited, Sumitomo Corporation and UBE Industries, Ltd., in relation to the joint venture contract of Dongguan Cement. Such supplemental agreement was signed pursuant to the transfer of a 70% interest in Dongguan Cement from CR Metals and Minerals to Dongguan Cement Holding;
- a supplemental agreement in Chinese dated 21 March 2003 between Dongguan Metals and Minerals, CR Metals and Minerals, Sumitomo Corporation (Hong Kong) Limited, Sumitomo Corporation and UBE Industries, Ltd., in relation to the articles of association of Dongguan Cement. Such supplemental agreement was signed pursuant to the transfer of a 70% interest in Dongguan Cement from CR Metals and Minerals to Dongguan Cement Holding;
- an instrument of transfer and a set of bought and sold notes all dated 24 March 2003 regarding the transfer of 700,000 ordinary shares of HK\$1 each in CR Cement Company from CR Metals and Minerals to Dongguan Cement Holding at a consideration of HK\$531,770.00;
- a deed of assignment of debt dated 24 March 2003 regarding the assignment of shareholders’ loan in CR Cement Company from CR Metals and Minerals to Dongguan Cement Holding at a consideration of HK\$87,504,950.93;
- an agreement for transfer of equity interest in Chinese dated 25 February 2003 between 恩耀有限公司 (Flavour Glory Limited) (“Guangxi CR Cement Holding”) and Minmetals Holdings in relation to the transfer of a 70% interest in Guangxi CR Cement by Minmetals Holdings to Guangxi CR Cement Holding at a consideration of HK\$131,866,000;

- a supplemental agreement in Chinese dated 25 February 2003 between Guangxi CR Cement Holding as new ‘party A’ and 廣西紅水河水泥股份有限公司 (Guangxi Hongshuihe Cement Joint Stock Company Limited) (“Guangxi Hongshuihe Cement”) in relation to the joint venture contract of Guangxi CR Cement. Such supplemental agreement was made pursuant to the transfer of a 70% interest in Guangxi CR Cement from Minmetals Holdings to Guangxi CR Cement Holding;
- a supplemental agreement in Chinese dated 25 February 2003 between Guangxi CR Cement Holding as new ‘party A’ and Guangxi Hongshuihe Cement in relation to the articles of association of Guangxi CR Cement signed by the parties. Such supplemental agreement was signed pursuant to the transfer of a 70% interest in Guangxi CR Cement from Minmetals Holdings to Guangxi CR Cement Holding;
- an agreement for transfer of equity interest in Chinese dated 18 February 2003 between 豐誠有限公司 Full Sincere Limited (“Dongguan Concrete Holding”) and Minmetals Holdings in relation to the transfer of 100% interest in 東莞華潤混凝土有限公司 (Dongguan China Resources Concrete Co. Ltd.) (“Dongguan Concrete”) by Minmetals Holdings to Dongguan Concrete Holding at a consideration of HK\$12,000,000;
- a deed of assignment and trust of equity dated 24 March 2003 between Goodsales Investments Limited (“Shenzhen Concrete Holding”), 華潤(深圳)有限公司 (China Resources (Shenzhen) Co., Ltd.) and Minmetals Holdings in relation to the assignment of 70% beneficial interests in 深圳市華潤鐵建混凝土有限公司 (Shenzhen China Resources Tiejian Concrete Co., Ltd.) (“Shenzhen Concrete”) from Minmetals Holdings to Shenzhen Concrete Holding at a consideration of HK\$16,483,250 and the declaration of trust in respect of such 70% interest by China Resources (Shenzhen) Co., Ltd. in favour of Shenzhen Concrete Holding;
- conditional agreement dated 26 March 2003 between the Company and China Resources Holdings regarding the acquisition of the entire issued share capital in, respectively, Dongguan Cement Holding, Dongguan Concrete Holding, Guangxi CR Cement Holding and Shenzhen Concrete Holding and the related shareholders’ loans in the total principal amount of HK\$208,704,951.00 in consideration of the allotment and issue of shares of the Company, credited as fully paid, to China Resources Holdings;
- a supplemental agreement in Chinese dated 9 April 2003 between Guangxi CR Cement and Profit Pool in relation to the joint venture contract of Zhanjiang CR Cement dated 12 February 2003. Such agreement was signed in relation to the amendment to the respective method of capital contribution of the parties;

- a supplemental agreement in Chinese dated 9 April 2003 between Guangxi CR Cement and Profit Pool in relation to the articles of association of Zhanjiang CR Cement dated 12 February 2003. Such agreement was signed pursuant to the supplemental agreement between the parties as mentioned above;
- an agreement in Chinese dated 3 June 2003 between Dongguan Metals and Minerals and Dongguan Cement Holding in relation to the transfer of a 5% interest in each of Dongguan Cement and CR Cement Company from Dongguan Metals and Minerals to Dongguan Cement Holding for a total consideration of HK\$4,800,000.00;
- a deed of option dated 20 June 2003 between China Resources Holdings and the Company in relation to the Pingnan Joint Venture, under which, amongst other things, China Resources Holdings granted to the Company at the consideration of HK\$1.00 an option to acquire its interests (if any) in the Pingnan Joint Venture;
- a deed of indemnity dated 20 June 2003 signed by China Resources Holdings in favour of the Company, pursuant to which China Resources Holdings has undertaken to indemnify the Company or the relevant members of the Group in full in respect of losses, damages, obligations or liabilities arising out of or in connection with, among other things, title defects of certain property interests of the Group;
- an instrument of transfer and a set of bought and sold notes all dated 15 July 2003 regarding the transfer of two ordinary shares of HK\$0.10 each in Innovative Markets Limited from China Resources Enterprise, Limited to the Company at the consideration of HK\$456,730,258.00;
- four sets of instrument of transfer and four sets of bought and sold notes all dated 22 July 2003 regarding the transfer of the entire interest in each of the following companies namely, Clear Bright Investments Limited, Goodsales Investments Limited, Flavour Glory Limited and Full Sincere Limited at the total consideration of HK\$205,413,108;
- a share purchase agreement dated 30 July 2003 signed by Grand Max Investment Limited and Redland Concrete Limited regarding the acquisition of 4,000,000 shares of HK\$1.00 each in the issued share capital of Redland Precast Concrete Products Limited at the consideration of HK\$23,179,500.00;

- a share transfer agreement in Chinese dated 20 December 2003 signed by 深圳市文偉投資發展有限公司 (Shenzhen Wenwei Investment Development Limited) and 黃業雄 (Huang Yexiong) and 林寶喜 (Lin Baoxi) and 華潤混凝土有限公司 (China Resources Concrete Limited) (“CR Concrete”) regarding the acquisition of 100% shareholding interest in 深圳市文偉混凝土有限公司 (Shenzhen Wenwei Concrete Limited) by CR Concrete at the consideration of RMB20 million;
- a share transfer agreement in Chinese dated 20 December 2003 signed by 林世文 (Lin Shiwen) and 林盛潮 (Lin Shengchao) and CR Concrete regarding the acquisition of 100% shareholding interest in 深圳市生成混凝土有限公司 (“Shenzhen Shengcheng Concrete Limited”) by CR Concrete at the consideration of RMB10.98 million;
- a share transfer agreement in Chinese dated 19 July 2004 signed by 中鐵建廠工程局深圳實業公司 (Zhong Tie Jian Chang Construction Department Shenzhen Industrial Company) and 佳績投資有限公司 (Goodsales Investments Ltd.) regarding the acquisition of the remaining 30% interest in Shenzhen Concrete at the consideration of RMB15.0 million;
- a share transfer agreement in Chinese dated 23 September 2004 signed between 創輝國際有限公司 (Charmfine International Limited) and CR Concrete regarding the acquisition of 30% shareholding interest in 佛山市順安混凝土有限公司 (Foshan Shunan Concrete Co. Ltd.) at the consideration of RMB5.94 million;
- a share transfer agreement in Chinese dated 23 September 2004 signed between 佛山市順德區樂從鎮宏佳建材有限公司 (Foshan Shunde Lecong Hongjia Building Materials Co. Ltd.) and CR Concrete regarding the acquisition of 70% shareholding interest in Foshan Shunan Concrete Co. Ltd. at the consideration of RMB13.86 million;
- a transfer agreement in Chinese dated 27 September 2004 regarding the acquisition of the entire 67.86% equity shareholding in Guangxi Hongshuihe Cement held by 南寧市人民政府國有資產監督管理委員會 (State-Owned Asset Supervision and Administration Commission of the People’s Government of Nanning) at zero consideration;
- the Facility Agreement;
- the Acquisition Agreement;
- the Subscription Agreement;

- a supplementary agreement in Chinese dated 16 December 2004 between Guangxi CR Cement and Profit Pool regarding the increase in share capital of Zhanjiang CR Cement;
- a share swap agreement dated 12 January 2005 between Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Limited, UBE Industries, Ltd, regarding the acquisition of 25% equity interest in CR Cement Company;
- the instrument dated 13 January 2005 constituting the Bonds; and
- an amended and restated instrument dated 27 January 2005 constituting the Bonds which supersedes the instrument dated 13 January 2005.

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.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

EXPERT AND CONSENT

The following is the qualification of the experts who have provided their advice which are contained in this Prospectus:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of their letter and the reference to their name in the form and context in which they appear.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu were not interested beneficially or otherwise in any Shares or any of subsidiaries or associated corporations of the Company 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 or any of subsidiaries or associated corporations of the Company nor did they 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.

BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of this Prospectus, this Prospectus shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance of Hong Kong, so far as applicable.

MISCELLANEOUS

- (a) The Company Secretary of the Company is Mr. Lee Yip Wah, Peter, a practising solicitor in Hong Kong.
- (b) The Qualified Accountant of the Company, 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.
- (c) The English text of this Prospectus and the Application Form shall prevail over the Chinese text in the case of any inconsistency.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Form, the written consent referred to in the paragraph headed “Expert and consent” in this appendix, the material contracts referred to in the paragraph headed “Material contracts” in this Appendix and the name, address and description of the Subscriber as offeror of the Bonds subject to the Clawback Offer.

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 Prospectus up to latest time for acceptance and payment, being 17 February 2005.

- the memorandum and articles of association of the Company;
- the memorandum and articles of association of the Issuer;
- the accountants’ report of the Issuer for the period from 5 November 2004 (date of incorporation of the Issuer) to 31 December 2004;
- the annual report of the Company for the financial year ended 31 December 2003;
- the interim report of the Company for the six months ended 30 June 2004;
- the material contracts referred to under the paragraph headed “Material Contracts” in Appendix IV to this Prospectus;
- the Subscription Agreement;
- the amended and restated instrument dated 27 January 2005 constituting the Bonds;
- the Acquisition Agreement; and
- the Circular.