

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

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

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

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

---



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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 712)**

## VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ADDITIONAL CAPITAL CONTRIBUTION TO GUANGXI PINGNAN CHINA RESOURCES YUFENG CEMENT COMPANY LIMITED

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

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

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

 **SOMERLEY LIMITED**

---

A letter from the independent board committee of China Resources Cement Holdings Limited is set out on page 19 of this circular.

A letter from Somerley Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of China Resources Cement Holdings Limited is set out on pages 20 to 25 of this circular.

A notice convening an extraordinary general meeting of China Resources Cement Holdings Limited to be held on Monday, 11 April 2005, at 4:00 p.m. is set out on pages 185 to 186 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Standard Registrars Limited, the share registrar of China Resources Cement Holdings Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting of China Resources Cement Holdings Limited or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the extraordinary general meeting of China Resources Cement Holdings Limited or any adjourned meeting should you so wish.

24 March 2005

---

# CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	5
The Supplemental JV Agreement to be entered into .....	6
Reasons and benefits for the Capital Contribution .....	7
Information about the Company .....	8
Information on Tricot .....	9
Information on Pingnan Joint Venture .....	9
Financial effect on the Group .....	10
Management discussion and analysis of the Group .....	11
Requirement of the Listing Rules .....	17
EGM .....	17
Recommendations .....	18
General .....	18
<b>Letter from the Independent Board Committee</b> .....	19
<b>Letter from Somerley</b> .....	20
<b>Appendices</b>	
I Accountants' report on Pingnan Joint Venture .....	26
II Financial information of the Group .....	47
III Unaudited pro forma financial information of the Enlarged Group .....	102
IV Property valuation .....	111
V General information .....	165
<b>Notice of EGM</b> .....	185
<b>Accompanying document</b>	
<b>Proxy form</b>	

---

## DEFINITIONS

---

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

“Acquisition”	acquisition of a 73.5% equity interest in Pingnan Joint Venture through the acquisition of the entire issued share capital of Tricot, pursuant to an acquisition agreement dated 29 November 2004 entered into between the Company and China Resources Holdings
“Acquisitions”	acquisitions of the cement business and concrete business in the Chinese Mainland and related shareholders’ loans previously held by China Resources Holdings in July 2003, details of which are set out in the prospectus of the Company dated 26 June 2003
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of the Directors
“Bonds”	the zero coupon guaranteed convertible bonds due 2010 in the aggregate principal amount of HK\$800 million
“Capital Contribution”	additional capital contribution to Pingnan Joint Venture by Tricot, which is deemed by the Stock Exchange as an acquisition of a 17.4% equity interest in Pingnan Joint Venture
“China Resources Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“Chinese Mainland”	PRC excluding Hong Kong, Macau and Taiwan
“Company”	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Bonds

---

## DEFINITIONS

---

“CRE”	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability
“CRNC”	China Resources National Corporation, a state owned enterprise in PRC
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company on Monday, 11 April 2005 at 4:00 p.m. to consider and approve, amongst other things, the Supplemental JV Agreement
“Enlarged Group”	the Group after the Capital Contribution
“Group”	the Company and its subsidiaries
“Group Reorganisation”	reorganisation of the Group as mentioned in the section Group Reorganisation set out in the prospectus of the Company dated 26 June 2003
“Guangxi Yufeng”	Guangxi Yufeng Group Cement Company Limited, a limited liability company established in PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis, all being independent non-executive Directors, which has been established to advise the Shareholders as regards, among other things, the Supplemental JV Agreement
“Independent Shareholders”	Shareholders other than Guangxi Yufeng and its associates
“Independent Third Parties”	parties and their respective ultimate beneficial owners, who are independent from and not connected with the Company or its Connected Persons and are not Connected Persons of the Company

---

## DEFINITIONS

---

“Latest Practicable Date”	21 March 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Pingnan Joint Venture”	Guangxi Pingnan China Resources Yufeng Cement Company Limited, a company established in PRC on 20 May 2002
“PRC”	the People’s Republic of China
“PRD”	Pearl River Delta region in Guangdong Province, PRC
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	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)
“Somerley”	Somerley Limited, a deemed licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental JV Agreement”	a supplemental agreement relating to the Capital Contribution proposed to be entered into between Tricot and Guangxi Yufeng

---

## DEFINITIONS

---

“Tricot”	Tricot Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“%”	per cent
“m <sup>3</sup> ”	cubic meters

*Unless otherwise specified in this circular, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of HK\$0.9393 = RMB1. This exchange rate 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.*

---

## LETTER FROM THE BOARD

---



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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 712)**

*Executive Directors:*

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

*Registered office:*

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

*Non-executive Directors:*

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

24 March 2005

*To the Shareholders*

Dear Sir or Madam,

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ADDITIONAL CAPITAL CONTRIBUTION TO GUANGXI PINGNAN CHINA RESOURCES YUFENG CEMENT COMPANY LIMITED**

#### **INTRODUCTION**

The Directors announced on 28 February 2005 that the Board has passed resolutions on 23 February 2005, approving, among other things, Tricot to enter into the Supplemental JV Agreement with Guangxi Yufeng, under which the registered capital of Pingnan Joint Venture will, subject to approval from the relevant government authorities of PRC, be increased from approximately RMB217.7 million, which is equivalent to approximately HK\$204.5 million, to approximately RMB636.9 million, which is equivalent to approximately HK\$598.3 million. According to the Supplemental JV Agreement, both parties thereto agreed that Tricot will contribute all the incremental registered capital of Pingnan Joint Venture in an aggregate amount of RMB419.2 million, which is equivalent to approximately HK\$393.8 million. Upon approval of the Shareholders, Tricot will enter into the Supplemental JV Agreement.

---

## LETTER FROM THE BOARD

---

### THE SUPPLEMENTAL JV AGREEMENT TO BE ENTERED INTO

Parties:	Tricot
	Guangxi Yufeng, its principal activities include its investment holding in Pingnan Joint Venture
Joint venture company:	Pingnan Joint Venture
Capital Contribution:	<p>A total of RMB419,220,000 in cash, equivalent to approximately HK\$393,773,000, all of which will be injected by Tricot. The Capital Contribution will be paid from internal financial resources of the Group. Guangxi Yufeng as the other party to the Supplemental JV Agreement is not required under such agreement to inject further capital into Pingnan Joint Venture.</p> <p>Upon full contribution of the increased amount of the registered capital, the indirect equity interest of the Company in Pingnan Joint Venture will be increased from approximately 73.5% to approximately 90.9%.</p>
Registered capital and total investment amount:	<p>The current registered capital of Pingnan Joint Venture is RMB217,700,000, which is equivalent to approximately HK\$204,486,000. Under the Supplemental JV Agreement, the registered capital of Pingnan Joint Venture will be increased to RMB636,920,000, which is equivalent to approximately HK\$598,259,000.</p> <p>Also under the Supplemental JV Agreement, the total investment amount of Pingnan Joint Venture will be increased from RMB650,000,000, which is equivalent to approximately HK\$610,545,000, to RMB1,700,000,000, which is equivalent to approximately HK\$1,596,810,000.</p>



---

## LETTER FROM THE BOARD

---

Timing for signing and conditions precedent:

It is intended that the Supplemental JV Agreement will be signed following the passing of an ordinary resolution by the Shareholders in general meeting in accordance with the applicable requirements under the Listing Rules to approve the Supplemental JV Agreement, which is regarded by the Stock Exchange to constitute a very substantial acquisition and connected transaction under Chapters 14 and 14A of the Listing Rules respectively. The Supplemental JV Agreement will come into effect upon receiving the necessary PRC governmental approvals.

Board of directors:

The current composition of the board of directors of Pingnan Joint Venture comprises 11 members, of which 8 and 3 were appointed by Tricot and Guangxi Yufeng respectively. Upon the coming into effect of the Supplemental JV Agreement, the board of directors of Pingnan Joint Venture will comprise 11 members, of which 9 and 2 will be appointed by Tricot and Guangxi Yufeng respectively.

Deadline for full contribution of the additional capital:

Under the applicable PRC law, 15% of the additional capital is required to be injected within three months from the date of the new business license of Pingnan Joint Venture and the remaining amount within three years from the date of the new business license of Pingnan Joint Venture, or otherwise prescribed by the relevant government authority of PRC.

### **REASONS AND BENEFITS FOR THE CAPITAL CONTRIBUTION**

On 13 January 2005, the Group successfully acquired Pingnan Joint Venture and increased its annual cement production capacity from 3.3 million tonnes to 5.2 million tonnes. As stated in the circular issued by the Company dated 24 December 2004, the cement market will remain strong and the market prices for cement products will remain stable in the PRD. The Directors, therefore, have begun to review the necessity to construct another cement production line in order to maintain the Group's competitiveness in the PRD after the acquisition of Pingnan Joint Venture. After careful consideration of the current market conditions, the timing and the funding requirement, the Board has decided to build another 5,000 tonnes per day dry process clinker production line alongside the existing 5,000 tonnes per day dry process clinker production line. The construction cost of the second 5,000 tonnes per day dry process clinker production line is estimated to be approximately

---

## LETTER FROM THE BOARD

---

HK\$500 million and it will be funded by the proposed Capital Contribution and internal financial resources of Pingnan Joint Venture. The second 5,000 tonnes per day dry process clinker production line is expected to be completed in the first quarter of 2006. The Board will continue to monitor the market conditions in the PRD and assess the possibility to build additional production lines or acquire appropriate cement production facilities in order to increase its production capacity.

In order to obtain immediate financial resources for the construction of the new production line, upon negotiation, it has been agreed that Tricot will inject the entire fund required for the Capital Contribution. As a result, the equity interest of Guangxi Yufeng in Pingnan Joint Venture will be diluted to approximately 9.1%. As the Capital Contribution is viewed by the Stock Exchange as an acquisition of a 17.4% equity interest in Pingnan Joint Venture, the consideration of such acquisition represents the increased shareholder's equity in Pingnan Joint Venture and it represents a premium of approximately 0.7% on the basis of the audited net asset value of Pingnan Joint Venture of approximately HK\$189.7 million as at 31 December 2004.

The proposed Capital Contribution is not in proportion to the respective shareholdings of Tricot and Guangxi Yufeng; and the equity interest of Tricot in Pingnan Joint Venture will be increased from 73.5% to 90.9% upon the coming into effect of the Supplemental JV Agreement. Therefore, the Capital Contribution constitutes a connected transaction for the Company under the Listing Rules and the Supplemental JV Agreement is subject to approval of the Independent Shareholders by poll at an extraordinary general meeting. Guangxi Yufeng and its associates will, to the extent they hold any Shares, abstain from voting at the EGM. Based on the Board's understanding, Guangxi Yufeng and its associates do not hold any Shares as at the Latest Practicable Date.

The Directors consider that the terms of the Supplemental JV Agreement were arrived at after arm's length negotiations and on normal commercial terms; the amount to be paid by the Company, essentially as consideration for the acquisition of the additional equity interests, is fair and reasonable as far as the Shareholders are concerned; and the Supplemental JV Agreement is in the interest of the Company and Shareholders as a whole.

The Independent Board Committee has provided its views on the Supplemental JV Agreement in this circular upon reviewing the letter of recommendation provided by the independent financial adviser.

### INFORMATION ABOUT THE COMPANY

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

---

## LETTER FROM THE BOARD

---

### INFORMATION ON TRICOT

Tricot is an investment holding company which was incorporated in the British Virgin Islands on 1 July 2003 and its principal asset is the 73.5% interest in Pingnan Joint Venture.

Since Pingnan Joint Venture only commenced operation in October 2004, no turnover was recorded for the period from its date of establishment to 30 September 2004. For the year ended 31 December 2004, Tricot recorded a consolidated loss of approximately HK\$8.1 million. As at 31 December 2004, the aggregate value of the unaudited consolidated net tangible liability of Tricot and the shareholder's loan due to China Resources Holdings was approximately HK\$113.6 million.

### INFORMATION ON PINGNAN JOINT VENTURE

Pingnan Joint Venture was established on 20 May 2002 with a registered and paid up capital of RMB217.7 million, which is equivalent to approximately HK\$204.5 million. The principal business of the Pingnan Joint Venture is the production, distribution and sale of cement. The Pingnan Joint Venture has in operation a 5,000 tonnes per day dry process clinker production line (equivalent to an annual cement production capacity of 1,900,000 tonnes).

The Pingnan Joint Venture only commenced operation in October 2004, no turnover was recorded for the period from 20 May 2002 (date of establishment) to September 2004. The Pingnan Joint Venture recorded losses of HK\$10,963,000, HK\$4,305,000 and HK\$262,000 for the years ended 31 December 2004 and 2003 and for the period from 20 May 2002 (date of establishment) to 31 December 2002 respectively. No dividend was paid by Pingnan Joint Venture during these financial years/period and loss per share was not presented as Pingnan Joint Venture did not have any issued shares. As at 31 December 2004, the audited net assets of Pingnan Joint Venture was approximately HK\$189.7 million and all assets of Pingnan Joint Venture are situated in PRC.

---

## LETTER FROM THE BOARD

---

### FINANCIAL EFFECT ON THE GROUP

#### Effect of the Capital Contribution on the Company

Upon the completion of the Acquisition which was funded by the issue of Bonds on 13 January 2005, Pingnan Joint Venture has become a subsidiary of the Company and 73.5% of its post acquisition financial results has been consolidated into those of the Group. Following the coming into effect of the Supplemental JV Agreement, the post acquisition financial results of Pingnan Joint Venture will be consolidated into those of the Group according to the effective equity interest in Pingnan Joint Venture held by the Company.

#### Financial and trading prospects of the Enlarged Group

The Group's unaudited pro forma combined turnover for the year ended 31 December 2003 and audited consolidated turnover for the year ended 31 December 2004 amounted to approximately HK\$1,070.2 million and HK\$1,438.4 million respectively.

The Group's unaudited pro forma combined net profit for the year ended 31 December 2003 and audited consolidated profit attributable to shareholders for the year ended 31 December 2004 amounted to approximately HK\$49.3 million and HK\$88.7 million respectively.

#### Earnings

The Company's unaudited pro forma earnings per Share for the year ended 31 December 2003 and audited earnings per Share for the year ended 31 December 2004 amounted to approximately HK\$0.136 and HK\$0.244 respectively.

The increase in earnings for the year ended 31 December 2004 as compared with that for the year ended 31 December 2003 was attributable to the increase in average selling price of cement products in PRC coupled with the full year operations of the Group's dry process clinker production line that commenced operations from October 2003.

#### Assets and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities which was prepared on the assumption that the Acquisition, the issue of Bonds and the Capital Contribution had all taken place on 31 December 2004 as set out in appendix III to this circular, the audited consolidated net tangible assets of the Group immediately before, and the unaudited consolidated net tangible assets of the Enlarged Group immediately after, the completion of the Acquisition, the issue of Bonds and the Capital Contribution were approximately HK\$1,057.3 million and

---

## LETTER FROM THE BOARD

---

approximately HK\$1,013.4 million respectively. The decrease of approximately 4.2% is mainly attributable to the goodwill arising from the Acquisition and Capital Contribution of HK\$15.1 million, the cost of acquiring additional mining rights of Pingnan Joint Venture of HK\$25.8 million and Bonds issuing expenses of HK\$3.0 million.

Based on 362,807,461 Shares in issue as at 31 December 2004, the unaudited pro forma consolidated net tangible assets per Share immediately after the completion of the Acquisition, the issue of Bonds and the Capital Contribution was approximately HK\$2.79.

### MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

*Following is the management discussion and analysis extracted from the annual report of the Company for the years ended 31 December 2004 and 2003 respectively.*

*The Group Reorganisation and the Acquisitions were completed in or before July 2003 and, therefore, the consolidated financial information of the Company for the period from 13 March 2003 (date of incorporation of the Company) to 31 December 2003 does not reflect the full year results of all the subsidiaries comprising the Group. For the purpose of a proper appraisal of the performance of the Group, comparisons are made in this section of the consolidated financial information for the year ended 31 December 2004 with the pro forma combined financial information for each of the two years ended 31 December 2003 as if the Group Reorganisation and the Acquisitions had been completed and all the relevant companies forming part of the Group had been held by the Company since 1 January 2002, or the respective dates of incorporation or establishment, or the respective dates of acquisition, whichever is later. The pro forma combined financial information was extracted from the annual report of the Company for year 2003. Please refer to the annual report 2003 for the basis of preparation of the pro forma combined financial information.*

#### **For the year ended 31 December 2004**

##### ***Business Review***

The consolidated turnover and consolidated gross profit for the year ended 31 December 2004 amounted to HK\$1,438.4 million and HK\$374.9 million, representing increases of 34.4% and of 45.1% over the pro forma combined turnover of HK\$1,070.2 million and pro forma combined gross profit of HK\$258.4 million respectively for year 2003. The consolidated gross margin was 26.1%, as compared to 24.1% for 2003, attributable primarily to the increase in selling price of cement.

---

## LETTER FROM THE BOARD

---

The consolidated profit from operations and profit attributable to shareholders for the year of the Group were HK\$142.8 million and HK\$88.7 million, representing increases of 54.0% and 79.9% from the pro forma combined profit from operations of HK\$92.7 million and pro forma combined net profit of HK\$49.3 million of 2003 respectively. These increases were due to increased sales volume and increase in gross margin.

### *Segment performance*

#### *Cement business*

With the completion of construction of the new grinding plant in Guangxi China Resources Hongshuihe Cement Co., Ltd. with an annual production capacity of 600,000 tonnes in June 2004, total annual cement production capacity of the Group was approximately 3.3 million tonnes throughout 2004. Our production lines were almost operating at full capacity production with the result that total volume of cement sold in 2004 was approximately 3.56 million tonnes, representing an increase of 23.6% over that of year 2003. In the first half of year 2004, our cement selling prices had increased by an average of 8.0% and thereafter remained stable until the end of 2004. The consolidated turnover of cement business for the year was HK\$724.5 million, representing an increase of 23.6% as compared with the pro forma combined turnover of HK\$586.2 million of year 2003. The consolidated profit from operations for year 2004 amounted to HK\$129.7 million, which is approximately 94.5% more than the pro forma combined profit from operations of HK\$66.7 million for year 2003. The construction of the Group's new production line with annual production capacity of 500,000 tonnes of cement or slag powder in Dongguan is progressing well and we expect it will be put into operations in May 2005.

#### *Concrete business*

The Hong Kong construction industry continued to be sluggish during 2004. Overall demand for ready mixed concrete decreased further when many developers postponed their project construction schedules in response to sharply higher steel prices, which has also adversely affected the delivery schedules of precast concrete products. Although we managed to maintain a proportionate market share of approximately 11% in the ready mixed concrete market of Hong Kong and concrete market selling price has risen to approximately HK\$450 per m<sup>3</sup>, our total concrete sales (including mortars and other concrete products) in Hong Kong was 596,000 m<sup>3</sup>, representing a decrease of 25.0% from 795,000 m<sup>3</sup> of 2003. In 2004, the Group's subsidiaries engaged in concrete business in the Chinese Mainland produced and sold approximately 1,003,000 m<sup>3</sup> of ready mixed concrete, as compared with 368,000 m<sup>3</sup> in 2003. Concrete prices in our markets in the Chinese Mainland had been steady throughout the year. The consolidated turnover and profit from operations of our concrete business, including our precast concrete business, for year 2004 amounted to HK\$713.9 million and HK\$30.6 million, representing increase of 47.5% and decrease of 10.3% over the pro forma combined turnover of HK\$484.0 million and profit from operations of HK\$34.1 million respectively for year 2003. This was mainly due to lower sales volume in Hong Kong which was not fully offset by the growth achieved in the Chinese Mainland.

---

## LETTER FROM THE BOARD

---

### *Liquidity and Financial Resources*

As at 31 December 2004, the Group's cash and bank balances totaling HK\$257.2 million (31/12/2003: HK\$332.9 million) included amounts held as follows: HK\$133.8 million and RMB131.3 million (31/12/2003: HK\$264.5 million and RMB73.5 million).

On 25 October 2004, the Company signed a facility agreement with four banks. Loans drawn under this facility agreement are repayable by five equal bi-annual instalments commencing from the end of the third year from the date of the facility agreement. Under the terms of the facility agreement, China Resources Holdings, the Company's holding company is required to hold not less than 51% of the voting share capital in the Company. As at 31 December 2004, a total amount of HK\$100.0 million has been drawn down.

As at 31 December 2004, total bank loans of the Group, which amounted to HK\$691.6 million (31/12/2003: HK\$662.4 million), comprised loans of US\$2.2 million, HK\$379.5 million and RMB314.0 million (31/12/2003: US\$5.1 million, HK\$299.0 million and RMB345.0 million). Bank loans totaling HK\$168.1 million (31/12/2003: HK\$304.9 million) carried interests at fixed rates. Of these bank loans, a total amount of HK\$282.7 million (31/12/2003: HK\$392.4 million) was secured by fixed assets of the Group and a total amount of HK\$45.2 million (31/12/2003: HK\$77.3 million) was unsecured but covered by guarantees provided by minority shareholders of subsidiaries on a no fee basis. The gearing ratio as at 31 December 2004 was 68.3% (31/12/2003: 71.5%).

The Group's business transactions were mainly carried out in Hong Kong dollars, Renminbi and United States dollars and given the linkage between these currencies, its exposure to exchange risk is insignificant. It is the policy that the Group will not engage in any speculative activities. As at 31 December 2004, the Group did not engage in any hedging transactions.

### *Charges on Assets*

As at 31 December 2004, certain fixed assets of subsidiaries of the Company with an aggregate carrying value of HK\$532.3 million (31/12/2003: HK\$497.1 million) were pledged with banks for banking facilities used by these subsidiaries.

### *Contingent Liabilities*

The Group did not have any significant contingent liability as at 31 December 2004.

---

## LETTER FROM THE BOARD

---

### *Material Acquisitions and Disposals*

During the year 2004, the Board approved the acquisition of the 73.5% equity interest in Pingnan Joint Venture pursuant to an acquisition agreement dated 29 November 2004 entered into between the Company and China Resources Holdings, which has been completed on 13 January 2005.

The Group also acquired approximately a 67.86% equity interest in Guangxi Hongshuihe Cement Joint Stock Company Limited pursuant to an acquisition agreement dated 27 September 2004 entered into between China Resources Cement Limited, a wholly owned subsidiary of the Company, and 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).

### *Staff and Remuneration Policy*

As at 31 December 2004, the Group employed a total of 3,070 (31/12/2003: 2,361) full time employees of which 263 (31/12/2003: 288) are based in Hong Kong and the remaining 2,807 (31/12/2003: 2,073) are based in the Chinese Mainland. The average age of the 184 (31/12/2003: 130) senior and middle-ranking managerial staff of the Group is about 38 (31/12/2003: 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 adopted a share option scheme whereby employees of the Group may be granted options to acquire shares in the Company.

### **For the year ended 31 December 2003**

#### ***Business Review***

The pro forma combined turnover and pro forma combined gross profit for the year ended 31 December 2003 amounted to HK\$1,070.2 million and HK\$258.4 million, representing increases of 19.0% and decrease of 3.5% respectively over year 2002. The pro forma combined gross margin was 24.1%, as compared to 29.8% for year 2002, attributable to the significant drop in selling price of concrete in Hong Kong and the increase in manufacturing costs for the cement business.

The pro forma combined profit from operations and net profit for the year 2003 of the Group decreased by 24.6% and 32.3% to HK\$92.7 million and HK\$49.3 million respectively. These decreases were due to factors affecting the gross margin as stated above.



---

## LETTER FROM THE BOARD

---

### *Segment performance*

#### *Cement business*

The Group established a new 2,500 tonnes per day dry process rotary kiln clinker production line at Guangxi which was put into commercial operations in October 2003 in addition to our new 600 tonnes per day cement grinding factory at Zhanjiang which commenced commercial operations in May 2003. Total annual cement production capacity of the Group was then increased to approximately 3.3 million tonnes. With the commencement of operations of the above production lines, the total volume of cement sold in 2003 increased by 33.1% over that of 2002.

#### *Concrete business*

The pro forma combined turnover and profit from operations of our concrete business for the year amounted to HK\$484.0 million and HK\$34.1 million, representing increase of 6.6% and decrease of 49.3% respectively over the year of 2002. This was mainly due to lower sales volume and falling selling price of ready mixed concrete in Hong Kong.

### *Liquidity and Financial Resources*

As at 31 December 2003, the Group's cash and bank balances and pledged bank deposits totaling HK\$333.9 million (31/12/2002: HK\$260.6 million) included amounts held as follows: HK\$264.5 million and RMB73.5 million (31/12/2002: HK\$227.3 million and RMB30.7 million).

As at 31 December 2003, total bank loans of the Group, which amounted to HK\$662.4 million (31/12/2002: HK\$365.8 million), were made up of loans of US\$5.1 million, HK\$299.0 million and RMB345.0 million (31/12/2002: US\$8.0 million and RMB321.8 million). The increase in bank loans of HK\$296.6 million was mainly due to new Hong Kong dollar denominated loans, which bear interests at relatively lower rates, obtained for the acquisition of fixed assets and repayment of shareholders' loans of subsidiaries. Bank loans totaling HK\$304,850,000 carried interests at fixed rates. Of these bank loans, total amount of HK\$392.4 million (31/12/2002: HK\$108.2 million) was secured by fixed assets of the Group and a total amount of HK\$77.3 million (31/12/2002: HK\$62.5 million) was unsecured but covered by guarantees provided by minority shareholders of subsidiaries on a no fee basis. The gearing ratio as at 31 December 2003 was 71.5% (31/12/2002: 47.3%).

The Group's business transactions were mainly carried out in Hong Kong dollars, Renminbi and United States dollars. It is the policy that the Group will not engage in any hedging activities other than those for the avoidance of exchange risk. As at 31 December 2003, the Group did not engage in any hedging transactions.

---

## LETTER FROM THE BOARD

---

### *Charges on Assets*

As at 31 December 2003, certain fixed assets of subsidiaries of the Company with an aggregate carrying value of HK\$497.1 million (31/12/2002: HK\$136.6 million) were pledged with banks for banking facilities used by these subsidiaries.

### *Contingent Liabilities*

The Group did not have any significant contingent liability as at 31 December 2003.

### *Share Capital*

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, one share of HK\$0.10 was allotted and issued, for cash at par, to the subscriber.

On 25 March 2003, one 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 one share of HK\$0.10 in the Company, credited as fully paid at par to CRE as consideration for the acquisition of the entire issued share capital 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 China Resources Holdings as consideration for the Acquisitions.

### *Material Acquisitions and Disposals*

In July 2003, the Company acquired the cement business and concrete business in the Chinese Mainland and related shareholders' loan previously held by China Resources Holdings. Please refer to the annual report of 2003.

---

## LETTER FROM THE BOARD

---

### *Staff and Remuneration Policy*

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 Chinese Mainland. The average age of the 130 senior and middle-ranking 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 adopted a share option scheme whereby employees of the Group may be granted options to acquire shares in the Company.

### **REQUIREMENT OF THE LISTING RULES**

The Stock Exchange regards the Capital Contribution by Tricot as an acquisition of 17.4% equity interest in Pingnan Joint Venture. As the Capital Contribution is expected to come into effect within 12 months from the date of completion of the Acquisition, the Stock Exchange has aggregated both transactions; and as a result, the applicable percentage ratios exceed 100%. In addition, as Guangxi Yufeng is a substantial shareholder of Pingnan Joint Venture and the Capital Contribution is not in proportion to the respective shareholdings of Tricot and Guangxi Yufeng, the Capital Contribution constitutes a very substantial acquisition and connected transaction of the Company under the Listing Rules. Therefore, the Supplemental JV Agreement is subject to approval of the Independent Shareholders by poll at an extraordinary general meeting. Guangxi Yufeng and its associates will, to the extent they hold any Share(s), abstain from voting at the EGM. Based on the Board's understanding, Guangxi Yufeng and its associates do not hold any Share as at the Latest Practicable Date.

### **EGM**

A notice of EGM to be held at on Monday, 11 April 2005 at 4:00 p.m. at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, approving, among other things, the Supplemental JV Agreement is set out on pages 185 to 186 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Standard Registrars Limited, the share registrar of the Company, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

---

## LETTER FROM THE BOARD

---

### RECOMMENDATIONS

The Directors consider that the entering into the Supplemental JV Agreement is on normal commercial terms and is in the interest of the Company and the Shareholders as a whole and the terms are fair and reasonable as far as the Independent Shareholders are concerned. The Directors therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Supplemental JV Agreement and matters ancillary thereto as set out in the notice of EGM.

### GENERAL

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

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

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 712)**

24 March 2005

*To the Independent Shareholders*

Dear Sir or Madam,

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ADDITIONAL CAPITAL CONTRIBUTION TO GUANGXI PINGNAN CHINA RESOURCES YUFENG CEMENT COMPANY LIMITED**

We refer to the circular of the Company dated 24 March 2005 (the “Circular”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders in connection with the Capital Contribution. Details of which are contained in the letter from the Board set out on pages 5 to 18 of the Circular.

We wish to draw your attention to the letter of advice from Somerley as set out on pages 20 to 25 of the Circular. We have considered this letter and the advice contained therein and the various factors contained in the letter from the Board.

Having reviewed the information contained in the letter from the Board and taking into account the advice from Somerley, we consider that the Supplemental JV Agreement is on normal commercial terms and the terms of the Supplemental JV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Yours faithfully,

**Chan Mo Po, Paul**

**Lin Zongshou**

**Lui Pui Kee, Francis**

*Independent Board Committee*

---

## LETTER FROM SOMERLEY

---

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



**SOMERLEY LIMITED**

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

24 March 2005

*To: The Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION  
ADDITIONAL CAPITAL CONTRIBUTION TO  
GUANGXI PINGNAN CHINA RESOURCES YUFENG CEMENT COMPANY LIMITED**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders as regards the terms of the additional capital contribution to Pingnan Joint Venture by Tricot Limited, a wholly-owned subsidiary of the Company, details of which are set out in the Letter from the Board contained in the circular of the Company to the Shareholders dated 24 March 2005 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

The Company, through Tricot, owns 73.5% of the equity interest of Pingnan Joint Venture. The remaining 26.5% is owned by Guangxi Yufeng which is substantially held by 廣西魚峰集團有限公司 (Guangxi Yufeng Group Limited) and 中國東方資產管理公司 (China Orient Asset Management Corporation), both being state-owned enterprises.

Pursuant to the Supplemental JV Agreement to be entered into between Tricot and Guangxi Yufeng, Tricot will contribute the entire RMB419.2 million (equivalent to approximately HK\$393.8 million) to Pingnan Joint Venture. Upon full payment of additional capital, the equity interest of the Group in Pingnan Joint Venture will increase from 73.5% to 90.9%, which is deemed by the Stock Exchange as an acquisition by Tricot of 17.4% equity interest in Pingnan Joint Venture from Guangxi Yufeng. Given the Capital Contribution is expected to occur within 12 months after completion of the acquisition of 73.5% equity interest in Pingnan Joint Venture by the Company which took place on 13 January 2005 (the “Acquisition”), the Stock Exchange has aggregated the Capital Contribution and the Acquisition under Rule 14.22 of the Listing Rules; and as a result, the

---

## LETTER FROM SOMERLEY

---

applicable percentage ratios exceed 100%. As Guangxi Yufeng is a connected person of the Company under the Listing Rules by virtue of its 26.5% equity interest in Pingnan Joint Venture, the Capital Contribution therefore constitutes a very substantial acquisition and connected transaction of the Company which requires approval of the Independent Shareholders by poll at the EGM. Guangxi Yufeng and its associates will abstain from voting at the EGM, although based on the Board's understanding, they do not hold any shares of the Company as at the Latest Practicable Date. China Resources Holdings holds a 70.8% interest in the Company and is eligible to vote at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors namely Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis, has been constituted to consider whether the terms of the Supplemental JV Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The entering into of the Supplemental JV Agreement is subject to approval of the Independent Shareholders by poll at the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders on these matters.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and staff of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material factors have been omitted from the information supplied and opinions expressed to us. We have not, however, conducted an independent investigation into the business, operations or financial condition of the Group, Tricot or Pingnan Joint Venture. We have also assumed that the statements and representations made or referred to in the Circular were accurate at the time they were made and will continue to be accurate up to the date of the EGM.

### **PRINCIPAL FACTORS TAKEN INTO ACCOUNT**

In arriving at our opinion with regard to the Supplemental JV Agreement, we have taken into account the following principal factors:

#### **i. Background**

Pingnan Joint Venture was established in PRC on 20 May 2002. It operates a cement plant in Guangxi with a clinker production line having an annual production capacity of 1.9 million tonnes which commenced commercial operation in October 2004. Pingnan Joint Venture was originally owned by Guangxi Yufeng, its associates and other independent joint venture owners. On 28 April 2003, a subsidiary of China Resources Holdings entered into a memorandum of understanding with Guangxi Yufeng for a possible acquisition of an equity interest in Pingnan Joint Venture. On 20 June 2003, the Company entered into an option deed with China Resources Holdings pursuant to which the Company had the right to require China Resources Holdings to transfer to the Company, or its nominees, all or part of its interest in Pingnan Joint Venture.

---

## LETTER FROM SOMERLEY

---

On 11 August 2003, Tricot, a then wholly-owned subsidiary of China Resources Holdings, acquired a total of approximately 73.5% interest in Pingnan Joint Venture for a consideration of RMB160.0 million. On 29 November 2004, the Company exercised its right pursuant to the option deed to acquire from China Resources Holdings its 100% interest in Tricot. The Acquisition was completed on 13 January 2005. The remaining approximately 26.5% is owned by Guangxi Yufeng.

### ii. The Capital Contribution

On 23 February 2005, the Board passed resolutions approving, among other things, that subject to approval by the Independent Shareholders, Tricot should enter into the Supplemental JV Agreement. Under this agreement, the registered capital of Pingnan Joint Venture, subject to approval from the relevant PRC government authorities, will be increased by approximately RMB419.2 million (equivalent to approximately HK\$393.8 million) from approximately RMB217.7 million (equivalent to approximately HK\$204.5 million) to approximately RMB636.9 million (equivalent to approximately HK\$598.3 million). It was agreed that Tricot would contribute the entire incremental registered capital of Pingnan Joint Venture of RMB419.2 million (equivalent to approximately HK\$393.8 million) so that Pingnan Joint Venture would have the financial resources required for the construction of a new production line.

The following table summarises the changes to the registered capital and the shareholding structure of Pingnan Joint Venture as a result of the Capital Contribution:

Shareholders of Pingnan Joint Venture	Immediately before the Capital Contribution		Immediately after the Capital Contribution	
	Registered capital	Equity interest	Registered capital	Equity interest
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Tricot	160.0	73.5	579.2	90.9
Guangxi Yufeng	57.7	26.5	57.7	9.1
	217.7	100.0	636.9	100.0

Had Guangxi Yufeng paid its share of the required capital contribution, it would have to contribute approximately RMB111.1 million (equivalent to approximately HK\$104.4 million) and its percentage shareholding in Pingnan Joint Venture would have remained unchanged.



---

## LETTER FROM SOMERLEY

---

### **iii. Reasons for the Capital Contribution**

As stated in the circular issued by the Company dated 24 December 2004 in relation to, among other things, the Acquisition, the municipal governments in the PRD have ordered the closure of many cement plants with poor environmental standards to reduce pollution. In view of the expected shortage in supply that is likely to arise, the Board has decided that building another 5,000 tonnes per day dry process clinker production line at the existing plant operated by Pingnan Joint Venture is the most timely and efficient way to capture additional market share. The new production line will increase the annual production capacity of Pingnan Joint Venture from approximately 1.9 million tonnes to approximately 3.8 million tonnes. The construction of the new production line is expected to be completed in the first quarter of 2006.

The construction cost of the new production line is estimated to be HK\$500.0 million. It will be funded by the Capital Contribution and, to a small extent, by existing internal financial resources of Pingnan Joint Venture. The construction cost is lower than that of the cement plant the Group is now building at Guigang, Guangxi (the “Guigang Plant”) with same production capacity, which is estimated to be HK\$656.6 million and will be completed at the end of 2005.

The additional production capacity of this new production line, together with the existing production capacity of the Group, the expected new production capacity of the Guigang Plant and the cement plant in Dongguan will bring the Group’s annual cement production capacity to approximately 9.5 million tonnes. The Board is confident that the production capacity can be substantially utilised given that 2004 cement consumption in the PRD was over 60.0 million tonnes and is expected to grow further in 2005 alongside with the growth of PRC’s economy. Consequently, we believe the Board’s decision to construct the new production line is soundly based.

### **iv. Reasons for the Group to be the sole contributor**

As discussed above, the Company believes it is critical to the Group to construct a new production line and to commence commercial operation ahead of other competitors in order to capture additional market share in the cement market in the PRD.

According to the Company, Guangxi Yufeng is controlled by two state-owned enterprises. The process for Guangxi Yufeng to obtain approval for funding the capital contribution is therefore expected to be lengthy. Having taken into account the timeliness of the construction of the new production line, it was agreed that Tricot will be responsible for the entire Capital Contribution.

---

## LETTER FROM SOMERLEY

---

Upon full payment of the Capital Contribution of RMB419.2 million by Tricot, the shareholding of Guangxi Yufeng in Pingnan Joint Venture will be diluted to 9.1%. The shareholding of the Group will, as a result, be increased by 17.4% from 73.5% to 90.9%. Such increase in shareholding will enable the Group to gain more control over the management, operations and cashflow of Pingnan Joint Venture.

### FINANCIAL EFFECTS OF THE CAPITAL CONTRIBUTION ON THE GROUP

#### Net tangible assets

As set out in Appendix III to the Circular, goodwill of approximately HK\$2.8 million will arise from the Capital Contribution. The net asset value of the Group would not be affected by the Capital Contribution. However, the net tangible assets of the Group will decrease slightly.

#### Earnings

The Group currently owns 73.5% equity interest in Pingnan Joint Venture and thus has been accounting for 73.5% of Pingnan Joint Venture's profit or loss in its results. Upon full payment of the Capital Contribution, the Group will account for an additional 17.4% of Pingnan Joint Venture's profit or loss in its results.

#### Cashflow

The Group had cash and bank balances of approximately HK\$257.2 million as at 31 December 2004. Following completion of the Bonds issuance (details of which are set out in the circular dated 24 December 2004), the Group retained net proceeds of approximately HK\$450.4 million. This is calculated after deducting the relevant estimated issuing expenses of HK\$3.0 million, the consideration for the Acquisition of HK\$151.7 million and the repayment of a short-term bank loan of HK\$194.9 million.

The Group is required by the applicable PRC laws to pay 15% of the entire Capital Contribution, equivalent to approximately RMB62.9 million, within three months from the date of granting of a new business license to Pingnan Joint Venture by the relevant PRC government authority. The Supplemental JV Agreement has not specified the timing of contribution of the remaining amount into Pingnan Joint Venture. However, the Group intends to make such contribution by stages within three years from the date of granting of the new business license to Pingnan Joint Venture as required by the applicable PRC laws or otherwise prescribed by the relevant government authority of PRC, taking into account the funding requirements for the construction of the new production line. Given the Group's ample cash reserve and intention to make contribution by stages, we consider the Capital Contribution would not have a significant adverse effect on the Group's cashflow position.

---

## LETTER FROM SOMERLEY

---

### DISCUSSION

Following the acquisition of 73.5% of Pingnan Joint Venture in December 2004, the Directors have been considering the construction of another clinker production line to take advantage of opportunities in the cement market in the PRD. The Board has decided it is most efficient to build another clinker production line at the existing plant operated by Pingnan Joint Venture.

The Company believes that construction of a new production line to increase the Group's cement production capacity ahead of other competitors will give the Group an edge in capturing additional market share in the cement market in the PRD. Given considerable time is required for Guangxi Yufeng to obtain approval for funding the construction of the new production line, it was agreed that Tricot will inject additional capital of RMB419.2 million to Pingnan Joint Venture to provide immediate funds for such construction. Guangxi Yufeng as the other party to the Supplemental JV Agreement is not required to inject further capital into Pingnan Joint Venture. Its percentage interest in Pingnan Joint Venture however will be diluted.

The Capital Contribution, upon full payment, will increase the Group's equity interest in Pingnan Joint Venture by 17.4%, so that the Group's interest will increase from 73.5% to 90.9%. Guangxi Yufeng's interest will be diluted to 9.1%. Such an increase in shareholding will entitle the Group to share an additional 17.4% of the results of Pingnan Joint Venture in the future. In addition, the Group will gain more control over the management, operations and cashflow of Pingnan Joint Venture.

The Capital Contribution will give rise to goodwill of approximately HK\$2.8 million and therefore result in a decrease of net tangible assets of the Group which we consider not material. The Capital Contribution would not have a significant adverse effect on the Group's cashflow position given its ample cash reserve and intention to make contribution by stages.

### OPINION

Having considered the above factors, we are of the opinion that the Supplemental JV Agreement is on normal commercial terms and in the ordinary course of business of the Company. We are of the further opinion that the terms of the Supplemental JV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders vote in favour of the resolution to approve the entering into of the Supplemental JV Agreement.

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

*The following is the text of a report, prepared for the purpose of incorporation in this circular, 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

24 March 2005

*The Board of Directors*

**China Resources Cement Holdings Limited**

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) relating to 廣西平南華潤魚峰水泥有限公司 (translated as Guangxi Pingnan China Resources Yufeng Cement Company Limited) (“Pingnan Joint Venture”) for the period from 20 May 2002 (date of establishment) to 31 December 2002 and the two years ended 31 December 2003 and 2004 (the “Relevant Periods”) and for inclusion in the circular of China Resources Cement Holdings Limited (the “Company”) dated 24 March 2005 in connection with the deemed acquisition of 17.4% interest in Pingnan Joint Venture (the “Circular”).

Pingnan Joint Venture is a company established in the People’s Republic of China (the “PRC”) for the purpose of manufacture and sale of cement.

The statutory financial statements of Pingnan Joint Venture for the year ended 31 December 2003 were prepared in accordance with the applicable accounting principles and financial regulations in the PRC. The statutory financial statements of Pingnan Joint Venture for the year ended 31 December 2003 were audited by 廣西正則會計師事務所 (translated as Guangxi Zhengze Certified Public Accountants), which is a firm of certified public accountants registered in the PRC.

For the purpose of this report, we have carried out independent audit procedures in respect of the management accounts of Pingnan Joint Venture for the Relevant Periods prepared in accordance with accounting principles generally accepted in Hong Kong (the “HKFRS Financial Statements”) by the management of Pingnan Joint Venture.

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

The Financial Information of Pingnan Joint Venture for the Relevant Periods set out in this report has been prepared based on the HKFRS Financial Statements for the Relevant Periods.

We have examined the HKFRS Financial Statements for the Relevant Periods in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

The preparation of the HKFRS Financial Statements is the responsibility of the directors of Pingnan Joint Venture. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent 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 Pingnan Joint Venture as at 31 December 2002, 31 December 2003 and 31 December 2004, and the loss and cash flows of Pingnan Joint Venture for the Relevant Periods.

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

**I. FINANCIAL INFORMATION**

**Profit and loss account**

		<b>1.1.2004</b>	<b>1.1.2003</b>	<b>20.5.2002</b>
		<b>to</b>	<b>to</b>	<b>to</b>
		<b>31.12.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	28,223	–	–
Cost of sales		(30,121)	–	–
		<hr/>	<hr/>	<hr/>
Gross loss		(1,898)	–	–
Other income		204	431	62
Administrative expenses		(13,654)	(4,736)	(324)
		<hr/>	<hr/>	<hr/>
Loss from operations	5	(15,348)	(4,305)	(262)
Finance costs	7	(2,910)	–	–
		<hr/>	<hr/>	<hr/>
Loss before taxation		(18,258)	(4,305)	(262)
Taxation	8	7,295	–	–
		<hr/>	<hr/>	<hr/>
Net loss for the year/period		<u>(10,963)</u>	<u>(4,305)</u>	<u>(262)</u>
Loss per share	10	N/A	N/A	N/A
		<hr/>	<hr/>	<hr/>

**APPENDIX I ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

**Balance sheet**

	<i>Notes</i>	<b>As at 31.12.2004 HK\$'000</b>	<b>As at 31.12.2003 HK\$'000</b>	<b>As at 31.12.2002 HK\$'000</b>
<b>Non-current assets</b>				
Fixed assets	11	537,278	64,895	8,268
Mining rights	12	25,774	–	–
Deposits paid	13	2,784	91,791	19,606
Deferred tax assets	14	7,295	–	–
		<u>573,131</u>	<u>156,686</u>	<u>27,874</u>
<b>Current assets</b>				
Stocks	15	36,348	20	–
Trade receivables	16	13,868	–	–
Other receivables		14,118	4,907	11,362
Cash and bank balances		7,777	67,794	1,946
		<u>72,111</u>	<u>72,721</u>	<u>13,308</u>
<b>Current liabilities</b>				
Trade payables	17	35,459	–	–
Other payables		37,363	27,796	154
Amounts due to owners	18	–	974	17,725
Bank loan				
Amount due within one year	19	194,886	–	–
		<u>267,708</u>	<u>28,770</u>	<u>17,879</u>
Net current (liabilities) assets		<u>(195,597)</u>	<u>43,951</u>	<u>(4,571)</u>
Total assets less current liabilities		<u>377,534</u>	<u>200,637</u>	<u>23,303</u>
<b>Non-current liabilities</b>				
Bank loan				
Amount due after one year	19	187,860	–	–
		<u>189,674</u>	<u>200,637</u>	<u>23,303</u>
<b>Capital and reserves</b>				
Registered capital	20	205,204	205,204	23,565
Accumulated losses		(15,530)	(4,567)	(262)
		<u>189,674</u>	<u>200,637</u>	<u>23,303</u>

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

**Statement of changes in equity**

	<b>Registered capital</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Initial capital contributed by owners on date of establishment	23,565	–	23,565
Net loss for the period	–	(262)	(262)
At 31 December 2002	23,565	(262)	23,303
Additional registered capital contributed by owners on 21 March 2003	181,639	–	181,639
Net loss for the year	–	(4,305)	(4,305)
At 31 December 2003	205,204	(4,567)	200,637
Net loss for the year	–	(10,963)	(10,963)
At 31 December 2004	<u>205,204</u>	<u>(15,530)</u>	<u>189,674</u>



---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**


---

**Cash flow statement**

	<b>1.1.2004</b>	<b>1.1.2003</b>	<b>20.5.2002</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Loss before taxation for the year/period	(18,258)	(4,305)	(262)
Adjustments for:			
Depreciation of fixed assets	4,199	65	–
Amortisation of mining rights	130	–	–
Interest income	(204)	(431)	(62)
Interest expenses	2,910	–	–
	<hr/>	<hr/>	<hr/>
Operating cash outflow before movement in working capital	(11,223)	(4,671)	(324)
Increase in stocks	(36,328)	(20)	–
Increase in trade receivables	(13,868)	–	–
(Increase) decrease in other receivables	(9,211)	6,455	(11,362)
Increase in trade payables	35,459	–	–
Increase in other payables	9,567	27,642	154
	<hr/>	<hr/>	<hr/>
Cash (used in) generated from operations	(25,604)	29,406	(11,532)
Interest paid	(8,930)	–	–
	<hr/>	<hr/>	<hr/>
Net cash (used in) generated from operating activities	(34,534)	29,406	(11,532)
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Interest received	394	431	62
Purchase of fixed assets	(398,395)	(56,692)	(8,268)
Purchase of mining rights	(9,254)	–	–
Deposits paid for acquisition of fixed assets and mining rights	–	(72,185)	(19,606)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(407,255)	(128,446)	(27,812)
	<hr/>	<hr/>	<hr/>

---

**APPENDIX I                  ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**


---

	<b>1.1.2004</b> <b>to</b> <b>31.12.2004</b> <i>HK\$'000</i>	<b>1.1.2003</b> <b>to</b> <b>31.12.2003</b> <i>HK\$'000</i>	<b>20.5.2002</b> <b>to</b> <b>31.12.2002</b> <i>HK\$'000</i>
Cash flows from financing activities			
Capital contributed by owners	–	181,639	23,565
Net cash (outflow) inflow from amounts due to owners	(974)	(16,751)	17,725
Bank loans raised	382,746	–	–
	<hr/>	<hr/>	<hr/>
Net cash generated from financing activities	381,772	164,888	41,290
	<hr/>	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents for the year/period	(60,017)	65,848	1,946
Cash and cash equivalents at beginning of the year/period	67,794	1,946	–
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the year/period, representing cash and bank balances	<u>7,777</u>	<u>67,794</u>	<u>1,946</u>

**II. NOTES TO THE FINANCIAL INFORMATION****1. General****A. *Ultimate holding company***

In the opinion of the directors, the ultimate holding company of Pingnan Joint Venture is China Resources National Corporation, a company established in the People's Republic of China (the "PRC").

**B. *Principal activity***

The principal activity of Pingnan Joint Venture is the manufacture and sale of cement.

**C. *Basis of preparation of financial statements***

The financial statements have been prepared on a going concern basis because the holding company has agreed to provide adequate funds to enable Pingnan Joint Venture to meet in full its financial obligations as they fall due for the foreseeable future.

**2. Potential Impact Arising from the Recently Issued Accounting Standards**

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. Pingnan Joint Venture has not early adopted these new HKFRSs in the HKFRS Financial Statements for the Relevant Periods.

Pingnan Joint Venture has considered the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

### **3. Principal Accounting Policies**

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

#### **A. Fixed assets**

##### *(a) Construction in progress*

Fixed assets in the course of construction for production 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 assets 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, after taken into account of the residual value of the assets, using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	Over the unexpired term of lease
Plant and machinery	15 years
Furniture and equipment	5 years
Motor vehicles	5 years

(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 profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 profit and loss account in the period in which the reversals are recognised.

**B. *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 20 years.

**C. *Stocks***

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

**D. *Recognition of revenue***

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

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

**E. *Borrowing costs***

Borrowing costs are accounted for on the accrual basis and charged to the 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.

***F. 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 year/period. Taxable profit differs from net profit as reported in the 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 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 taxable profit nor the accounting profit.

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 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.

***G. Foreign exchange***

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the transaction 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.

***H. Employee benefits***

Payments to defined contribution retirement benefit plans and government-managed retirement benefit schemes are charged as an expense as they fall due.

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

**4. Turnover and Segment Information**

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

Pingnan Joint Venture was solely engaged in the business of manufacturing and sale of cement and all assets are situated in the PRC.

**5. Loss from Operations**

	<b>1.1.2004</b>	<b>1.1.2003</b>	<b>20.5.2002</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Loss from operations has been arrived at after charging:

Staff costs including directors' remuneration:

– salaries and other allowances	4,148	1,448	307
– retirement benefit costs	355	30	5

Total staff costs	4,503	1,478	312
-------------------	-------	-------	-----

Auditors' remuneration	–	24	–
Depreciation of fixed assets	4,199	65	–
Amortisation of mining rights	130	–	–
Exchange loss	–	997	–

and after crediting:

Exchange gain	278	–	–
Interest income excluding interest income on the temporary investment of specific borrowings of HK\$190,000 (1.1.2003 to 31.12.2003: nil; 20.5.2002 to 31.12.2002: nil)	204	431	62

The above amounts are shown net of expenses capitalised in fixed assets as follows:

Salaries and other allowances	6,899	1,308	307
Retirement benefit costs	198	136	–

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

**6. Directors' Remuneration and Five Highest Paid Employees**

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

	<b>1.1.2004</b> <b>to</b> <b>31.12.2004</b> <i>HK\$'000</i>	<b>1.1.2003</b> <b>to</b> <b>31.12.2003</b> <i>HK\$'000</i>	<b>20.5.2002</b> <b>to</b> <b>31.12.2002</b> <i>HK\$'000</i>
Fees	–	–	–
Other emoluments	1,062	72	–
	<u>          </u>	<u>          </u>	<u>          </u>

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

	<b>Number of directors</b>		
	<b>1.1.2004</b> <b>to</b> <b>31.12.2004</b>	<b>1.1.2003</b> <b>to</b> <b>31.12.2003</b>	<b>20.5.2002</b> <b>to</b> <b>31.12.2002</b>
Nil to HK\$1,000,000	11	11	11
	<u>          </u>	<u>          </u>	<u>          </u>

(ii) Employees

For the Relevant Periods, the five highest paid individuals included 4 directors (1.1.2003 to 31.12.2003: Nil; 20.5.2002 to 31.12.2002: Nil) of Pingnan Joint Venture and the details of whose emoluments are included above.

The details of the emoluments paid to the remaining one (1.1.2003 to 31.12.2003: five; 20.5.2002 to 31.12.2002: five) highest paid employees are as follows:

	<b>1.1.2004</b> <b>to</b> <b>31.12.2004</b> <i>HK\$'000</i>	<b>1.1.2003</b> <b>to</b> <b>31.12.2003</b> <i>HK\$'000</i>	<b>20.5.2002</b> <b>to</b> <b>31.12.2002</b> <i>HK\$'000</i>
Salaries and other benefits	199	366	163
	<u>          </u>	<u>          </u>	<u>          </u>



---

**APPENDIX I                      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**


---

Their emoluments were within the following band:

	Number of employees		
	1.1.2004	1.1.2003	20.5.2002
	to	to	to
	31.12.2004	31.12.2003	31.12.2002
Nil to HK\$1,000,000	<u>1</u>	<u>5</u>	<u>5</u>

**7. Finance Costs**

	1.1.2004	1.1.2003	20.5.2002
	to	to	to
	31.12.2004	31.12.2003	31.12.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	8,930	–	–
<i>Less:</i> Amount capitalised to fixed assets	<u>(6,020)</u>	<u>–</u>	<u>–</u>
	<u>2,910</u>	<u>–</u>	<u>–</u>

**8. Taxation**

	1.1.2004	1.1.2003	20.5.2002
	to	to	to
	31.12.2004	31.12.2003	31.12.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred taxation	<u>(7,295)</u>	<u>–</u>	<u>–</u>

Pursuant to the relevant laws and regulations in the PRC, Pingnan Joint Venture is 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. No provision for taxation has been made in the financial statements during the Relevant Periods as Pingnan Joint Venture did not have any assessable profit for the Relevant Periods.

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**


---

The taxation credit for the year/period can be reconciled to the loss before taxation for the year/period as follows:

	<b>1.1.2004</b>	<b>1.1.2003</b>	<b>20.5.2002</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	<u>(18,258)</u>	<u>(4,305)</u>	<u>(262)</u>
Tax at the domestic income tax rate of 33%	(6,025)	(1,421)	(86)
Tax effect of tax losses not recognised	–	1,421	86
Utilisation of tax losses previously not recognised	(1,507)	–	–
Others	<u>237</u>	<u>–</u>	<u>–</u>
Taxation credit for the year/period	<u>(7,295)</u>	<u>–</u>	<u>–</u>

**9. Dividend**

No dividend was paid by Pingnan Joint Venture during the Relevant Periods.

**10. Loss per Share**

Loss per share is not presented as Pingnan Joint Venture did not have any issued shares during the Relevant Periods.

# APPENDIX I ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE

## 11. Fixed Assets

	Leasehold land <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>						
Additions during period from 20.5.2002 to 31.12.2002 and at 31 December 2002	–	–	18	–	8,250	8,268
Additions	–	–	123	739	55,830	56,692
At 31 December 2003	–	–	141	739	64,080	64,960
Additions	175,083	17,652	2,432	15,887	265,528	476,582
Transfer	–	261,926	–	843	(262,769)	–
At 31 December 2004	175,083	279,578	2,573	17,469	66,839	541,542
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2003	–	–	–	–	–	–
Charge for the year	–	–	10	55	–	65
At 31 December 2003	–	–	10	55	–	65
Charge for the year	751	2,804	119	525	–	4,199
At 31 December 2004	751	2,804	129	580	–	4,264
<b>NET BOOK VALUES</b>						
At 31 December 2004	174,332	276,774	2,444	16,889	66,839	537,278
At 31 December 2003	–	–	131	684	64,080	64,895
At 31 December 2002	–	–	18	–	8,250	8,268

During the year, there is net interest capitalised of HK\$5,830,000 (2003: nil and 2002: nil) included in fixed assets.

The leasehold land is situated in the PRC under medium term lease.

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

**12. Mining Rights**

	<i>HK\$'000</i>
At 31 December 2002 and 2003 and 1 January 2004	–
Addition	25,904
Amortisation charged during the year	(130)
	–
At 31 December 2004	25,774

**13. Deposits Paid**

	<i>Notes</i>	<b>31.12.2004</b> <i>HK\$'000</i>	<b>31.12.2003</b> <i>HK\$'000</i>	<b>31.12.2002</b> <i>HK\$'000</i>
Deposits paid for acquisition of fixed assets	<i>(i)</i>	2,784	75,141	9,426
Deposits paid for acquisition of mining rights	<i>(ii)</i>	–	16,650	10,180
		2,784	91,791	19,606

*Notes:*

- (i) At 31 December 2003, the deposits paid for acquisition of fixed assets included deposit paid for the acquisition of a land use right for a piece of land in Ping Nan County, the PRC of HK\$15,243,000 (31 December 2002: HK\$9,426,000). In May 2004, Pingnan Joint Venture obtained the land use right from the relevant PRC authority.
  
- (ii) The deposits were paid for the acquisition of Pingnan Jont Venture's rights to extract limestone and clay for cement production in Ping Nan County, the PRC. In October 2004, Pingnan Joint Venture obtained the mining rights with terms of twenty years from the relevant PRC authorities.

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

**14. Deferred Tax Assets**

	<b>Tax losses</b> <i>HK\$'000</i>
Credited to income ( <i>Note 8</i> ) and balance at 31 December 2004	7,295
	7,295

At 31 December 2004, Pingnan Joint Venture had unused tax losses of approximately HK\$22,106,000 (2003: HK\$3,570,000 and 2002: HK\$262,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$22,106,000 (2003: Nil and 2002: Nil) of such loss. No deferred tax assets has been recognised at 31 December 2003 and 31 December 2002 of the HK\$3,570,000 and HK\$262,000 due to the unpredictability of future profit streams.

**15. Stocks**

	<b>31.12.2004</b> <i>HK\$'000</i>	<b>31.12.2003</b> <i>HK\$'000</i>	<b>31.12.2002</b> <i>HK\$'000</i>
Raw materials	23,173	–	–
Work in progress	8,419	–	–
Finished goods	4,478	–	–
Consumables	278	20	–
	36,348	20	–

**16. Trade Receivables**

An aging analysis of trade receivables is as follows:

	<b>31.12.2004</b> <i>HK\$'000</i>	<b>31.12.2003</b> <i>HK\$'000</i>	<b>31.12.2002</b> <i>HK\$'000</i>
0 – 90 days	13,868	–	–

Pingnan Joint Venture normally trades with its customers under the credit term of open credit from 30 to 90 days.

---

**APPENDIX I      ACCOUNTANTS' REPORT ON PINGNAN JOINT VENTURE**

---

**17. Trade Payables**

An aging analysis of trade payables is as follows:

	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	35,459	–	–
	<u>35,459</u>	<u>–</u>	<u>–</u>

**18. Amounts due to Owners**

The amounts were unsecured, interest free and repayable on demand.

**19. Bank Loans**

	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured bank loans	382,746	–	–
	<u>382,746</u>	<u>–</u>	<u>–</u>

The bank loans on repayable  
as follows:

Within one year	194,886	–	–
After two years but within five years	187,860	–	–
	<u>382,746</u>	<u>–</u>	<u>–</u>
<i>Less:</i> Amount due within one year included in current liabilities	(194,886)	–	–
	<u>187,860</u>	<u>–</u>	<u>–</u>

The bank loans were guaranteed by China Resources (Holdings) Company Limited, the holding company of an owner of Pingnan Joint Venture.

**20. Registered Capital**

*Paid-in registered capital*

	<i>HK\$'000</i>
Initial registered capital contributed by owners upon establishment and balance at 31 December 2002	23,565
Additional registered capital contributed by owners on 21 March 2003	181,639
	205,204
At 31 December 2003 and 31 December 2004	205,204

**21. Retirement Benefits Scheme**

Pingnan Joint Venture has established retirement benefits scheme for its full-time employees according to the relevant PRC regulations and rules. Pingnan Joint Venture is required to contribute certain percentage of its payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of Pingnan Joint Venture with respect to the retirement benefits scheme is to make the specific contributions.

**22. Capital Commitments**

	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments in respect of purchase and construction of fixed assets contracted but not provided for	45,525	218,355	5,960
	45,525	218,355	5,960

**III. DIRECTORS' REMUNERATION**

Save as disclosed herein, no remuneration has been paid or is payable, in respect of the Relevant Periods referred to in this report by Pingnan Joint Venture to the directors of Pingnan Joint Venture.

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

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by Pingnan Joint Venture in respect of any period subsequent to 31 December 2004.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong



## I. SUMMARY

A summary of the pro forma combined results for each of the two years ended 31 December 2003 together with the pro forma combined assets and liabilities as at 31 December 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, and the consolidated profit and loss account of the Group for the year ended 31 December 2004 and the consolidated assets and liabilities as at 31 December 2004 of the Group, as extracted from the 2004 annual report of the Company for the year ended 31 December 2004, is set out below:

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>Pro forma</b>	<b>Pro forma</b>	<b>Consolidated</b>
	<b>combined</b>	<b>combined</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	899,450	1,070,189	1,438,391
Cost of sales	(631,686)	(811,757)	(1,063,538)
Gross profit	267,764	258,432	374,853
Other income	30,087	30,891	33,417
Selling and distribution expenses	(81,607)	(92,738)	(115,739)
General and administrative expenses	(93,572)	(104,124)	(149,724)
Impairment loss in respect of goodwill arising on acquisition of additional interest in subsidiaries	(557)	–	–
Negative goodwill arising on acquisition of additional interest in a subsidiary realised	919	274	–
Profit from operations	123,034	92,735	142,807
Finance costs	(29,081)	(17,688)	(21,572)
Share of results of associates	3,962	(4,308)	(7)
Profit before taxation	97,915	70,739	121,228
Taxation	(19,528)	(8,214)	(4,631)
Profit before minority interests	78,387	62,525	116,597
Minority interests	(5,615)	(13,253)	(27,941)
Net profit/profit attributable to shareholders	<u>72,772</u>	<u>49,272</u>	<u>88,656</u>

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>Pro forma combined</b>	<b>Consolidated</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
Fixed assets	1,088,859	1,252,412	1,408,403
Intangible assets	23,706	10,952	15,849
Non-current investments	50,000	107	67
Retention monies receivable due after one year	–	4,334	5,036
Prepaid rentals	4,545	3,958	3,397
Deposits on acquisition of fixed assets	–	–	66,657
Deferred tax assets	16,844	13,246	10,454
Current assets	568,790	835,111	843,911
	<hr/>	<hr/>	<hr/>
Total assets	<u>1,752,744</u>	<u>2,120,120</u>	<u>2,353,774</u>
<b>Liabilities</b>			
Current liabilities	458,027	845,759	925,512
Non-current liabilities	213,447	144,945	243,185
Deferred tax liabilities	48,699	44,836	41,181
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>720,173</u>	<u>1,035,540</u>	<u>1,209,878</u>

The pro forma combined results for each of the two years ended 31 December 2003 together with the pro forma combined assets and liabilities as at 31 December 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 year ended 31 December 2004 in the following section on Audited Financial Information) since 1 January 2002. Please refer to note 2 to the pro forma combined financial information for the year ended 31 December 2003 as contained in pages 112 to 114 of the Company's 2004 annual report for the basis of preparation of the pro forma combined financial information. 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 year ended 31 December 2004 and the balance sheet of the Company and the consolidated balance sheet of the Group as at 31 December 2004 together with the relevant notes to the financial statements as extracted from the published 2004 annual report of the Company for the year ended 31 December 2004.

**Consolidated Profit and Loss Account**

		<b>Period from</b>	
		<b>13/3/2003</b>	
		<b>(date of</b>	
		<b>Year ended incorporation)</b>	
		<b>31/12/2004</b>	<b>to 31/12/2003</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	1,438,391	543,729
Cost of sales		(1,063,538)	(410,913)
Gross profit		374,853	132,816
Other income		33,417	20,127
Selling and distribution expenses		(115,739)	(42,034)
General and administrative expenses		(149,724)	(63,360)
Profit from operations		142,807	47,549
Finance costs	5	(21,572)	(10,024)
Share of results of associates		(7)	(3,423)
Profit before taxation	6	121,228	34,102
Taxation	10	(4,631)	(3,254)
Profit before minority interests		116,597	30,848
Minority interests		(27,941)	(7,295)
Profit attributable to shareholders		<u>88,656</u>	<u>23,553</u>
Dividend	11	<u>19,090</u>	<u>–</u>
Earnings per share ( <i>HK\$</i> )	12		
– basic		<u>0.244</u>	<u>0.114</u>
– diluted		<u>0.244</u>	<u>0.114</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**Balance Sheets**
*At 31 December*

	<i>Notes</i>	<b>THE GROUP</b>		<b>THE COMPANY</b>	
		<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Fixed assets	13	1,408,403	1,252,412	22	25
Intangible assets	14	15,849	10,952	–	–
Interests in subsidiaries	15	–	–	761,617	726,517
Interest in an associate	16	65	72	–	–
Other investments	17	2	35	–	–
Retention monies receivable due after one year		5,036	4,334	–	–
Prepaid rentals	18	3,397	3,958	–	–
Deposits on acquisition of fixed assets		66,657	–	–	–
Deferred tax assets	19	10,454	13,246	1,454	480
		<u>1,509,863</u>	<u>1,285,009</u>	<u>763,093</u>	<u>727,022</u>
<b>Current assets</b>					
Stocks	20	102,424	81,662	–	–
Retention monies receivable due within one year		11,265	9,797	–	–
Trade receivables	21	405,497	348,739	–	–
Other receivables		67,534	60,968	8,717	18,698
Amounts due from subsidiaries		–	–	241,485	248,645
Pledged bank deposits		–	1,032	–	–
Cash and bank balances		257,191	332,913	87,622	236,004
		<u>843,911</u>	<u>835,111</u>	<u>337,824</u>	<u>503,347</u>
<b>Current liabilities</b>					
Trade payables	22	162,807	150,890	–	–
Other payables		211,135	132,528	2,838	3,300
Provisions	23	3,767	–	–	–
Amounts due to fellow subsidiaries		448	474	–	–
Amounts due to minority shareholders of subsidiaries		2,808	3,152	–	–
Amounts due to subsidiaries		–	–	42,088	266,735
Taxation payable		334	113	–	–
Loans from minority shareholders of subsidiaries	24	41,897	–	–	–
Bank loans Amount due within one year	25	502,316	558,602	–	–
		<u>925,512</u>	<u>845,759</u>	<u>44,926</u>	<u>270,035</u>
<b>Net current (liabilities) assets</b>		<u>(81,601)</u>	<u>(10,648)</u>	<u>292,898</u>	<u>233,312</u>
<b>Total assets less current liabilities</b>		<u>1,428,262</u>	<u>1,274,361</u>	<u>1,055,991</u>	<u>960,334</u>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

		<b>THE GROUP</b>		<b>THE COMPANY</b>	
		<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>					
Bank loans					
Amount due after one year	25	189,234	103,814	100,000	–
Provisions	23	53,951	–	–	–
Loans from minority					
shareholders of subsidiaries	24	–	28,937	–	–
Advance from a minority					
shareholder of a subsidiary	26	–	12,194	–	–
Deferred tax liabilities	19	41,181	44,836	–	–
		<u>284,366</u>	<u>189,781</u>	<u>100,000</u>	<u>–</u>
<b>Minority interests</b>		<u>70,761</u>	<u>100,063</u>	<u>–</u>	<u>–</u>
<b>Net assets</b>		<u><u>1,073,135</u></u>	<u><u>984,517</u></u>	<u><u>955,991</u></u>	<u><u>960,334</u></u>
<b>Capital and reserves</b>					
Share capital	27	36,281	36,281	36,281	36,281
Reserves	29	<u>1,036,854</u>	<u>948,236</u>	<u>919,710</u>	<u>924,053</u>
<b>Shareholders' funds</b>		<u><u>1,073,135</u></u>	<u><u>984,517</u></u>	<u><u>955,991</u></u>	<u><u>960,334</u></u>

**Consolidated Statement of Changes in Equity***For the year ended 31 December 2004*

	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	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	–	–	(38)	–	(38)
Profit attributable to shareholders for the year	–	–	–	88,656	88,656
At 31 December 2004	36,281	925,919	(1,274)	112,209	1,073,135

## Consolidated Cash Flow Statement

	Period from 13/3/2003 (date of Year ended incorporation) 31/12/2004 to 31/12/2003	
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Profit before taxation	121,228	34,102
Adjustments for:		
Depreciation of fixed assets	92,970	36,339
Amortisation of goodwill	6,176	1,999
Negative goodwill released to income	(7,880)	(3,106)
Amortisation of mining rights	967	267
Impairment loss recognised in respect of other investments	33	349
Amortisation of prepaid rentals	565	236
Interest income	(975)	(843)
Interest expenses	21,572	10,024
Share of results of associates	7	3,423
Loss on disposal of fixed assets	5,518	825
Decrease in provisions	(682)	–
<b>Operating cash inflow before movements in working capital</b>	239,499	83,615
(Increase) decrease in stocks	(19,142)	795
Increase in retention monies receivable	(2,170)	(2,016)
Increase in trade receivables	(56,743)	(7,068)
Increase in other receivables	(1,761)	(21,870)
Decrease in amounts due from fellow subsidiaries	–	28,214
Decrease in amounts due from associates	–	3,607
Increase (decrease) in trade payables	9,425	(7,102)
Increase in other payables	19,801	11,935
Decrease in amounts due to fellow subsidiaries	(26)	(41,939)
Decrease in amounts due to minority shareholders of subsidiaries	(344)	(72)
Decrease in amounts due to associates	–	(13)
Effect of foreign exchange rate changes on inter-company balances	(1,144)	953
<b>Cash generated from operations</b>	187,395	49,039
Hong Kong Profits Tax paid	(4,360)	(5,596)
Chinese Mainland Enterprise Income Tax paid	(368)	–
Interest paid	(22,099)	(10,596)
<b>Net cash generated from operating activities</b>	160,568	32,847

	<i>Note</i>	<b>Year ended 31/12/2004</b>	<b>Period from 13/3/2003 (date of incorporation) to 31/12/2003</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	30	(21,140)	202,700
Acquisition of additional interest in a subsidiary		(14,070)	–
Interest received		975	843
Purchase of fixed assets		(200,357)	(58,338)
Proceeds from disposal of fixed assets		20,599	245
Increase in deposits on acquisition of fixed assets		(66,657)	–
Decrease in pledged bank deposits		1,032	8,097
<b>Net cash (used in) generated from investing activities</b>		<u>(279,618)</u>	<u>153,547</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		–	100,000
Bank loans raised		402,293	296,746
Repayments of bank loans		(373,544)	(162,469)
Repayments of loans from minority shareholders of subsidiaries		–	(62,337)
Repayments of advance from a minority shareholder of a subsidiary		–	(4,773)
Repayments of loans from fellow subsidiaries		–	(11,999)
Capital contributed by minority shareholders of subsidiaries		3,810	–
Dividend paid to minority shareholders of subsidiaries		(2,191)	–
Loan from minority shareholders of subsidiaries raised		12,960	–
Payment of share issuing expenses		–	(8,649)
<b>Net cash generated from financing activities</b>		<u>43,328</u>	<u>146,519</u>
<b>Net (decrease) increase in cash and cash equivalents for the year/period</b>		(75,722)	332,913
<b>Cash and cash equivalents at beginning of year/period</b>		<u>332,913</u>	–
<b>Cash and cash equivalents at end of year/period, representing cash and bank balances</b>		<u><u>257,191</u></u>	<u><u>332,913</u></u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2004****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 “Acquisitions”), 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 Acquisitions 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% 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 (“China Resources 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. Potential Impact Arising from the Recently Issued Accounting Standards**

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "New HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these New HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

### **3. 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 3C below.

The results of subsidiaries and associates acquired or disposed of during the year/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 year/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 <sup>2</sup> / <sub>3</sub> 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 year/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. Leases***

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. All other leases are classified as 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.



#### 4. 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**

*For the year ended 31 December 2004*

	Cement <i>HK\$'000</i>	Concrete <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>				
External sales	724,453	713,938	–	1,438,391
Inter-segment sales	113,894	265	(114,159)	–
	<u>838,347</u>	<u>714,203</u>	<u>(114,159)</u>	<u>1,438,391</u>
Inter-segment sales are charged at prevailing market prices.				
<b>Results</b>				
Segment results	129,651	30,636	–	160,287
Interest income				975
Unallocated corporate expenses				(18,455)
Profit from operations				142,807
Finance costs				(21,572)
Share of results of an associate	–	(7)	–	(7)
Profit before taxation				121,228
Taxation				(4,631)
Profit before minority interests				116,597
Minority interests				(27,941)
Profit attributable to shareholders				<u>88,656</u>

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

	Cement HK\$'000	Concrete HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>Turnover</b>				
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.				
<b>Results</b>				
Segment results	33,642	20,931	–	54,573
Interest income				843
Unallocated corporate expenses				<u>(7,867)</u>
Profit from operations				47,549
Finance costs				(10,024)
Share of results of associates	–	(3,423)	–	<u>(3,423)</u>
Profit before taxation				34,102
Taxation				<u>(3,254)</u>
Profit before minority interests				30,848
Minority interests				<u>(7,295)</u>
Profit attributable to shareholders				<u><u>23,553</u></u>

**Balance sheet***At 31 December 2004*

	<b>Cement</b>	<b>Concrete</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
Segment assets	1,347,218	743,044	2,090,262
Interests in an associate	–	65	65
Deferred tax assets			10,454
Unallocated corporate assets			252,993
			<hr/>
Consolidated total assets			<u>2,353,774</u>
<b>Liabilities</b>			
Segment liabilities	267,914	164,316	432,230
Tax liabilities			41,515
Unallocated corporate liabilities			736,133
			<hr/>
Consolidated total liabilities			<u>1,209,878</u>

*At 31 December 2003*

	<b>Cement</b>	<b>Concrete</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
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			<u>2,120,120</u>
<b>Liabilities</b>			
Segment liabilities	172,878	107,894	280,772
Tax liabilities			44,949
Unallocated corporate liabilities			709,819
			<hr/>
Consolidated total liabilities			<u>1,035,540</u>

**Other information***For the year ended 31 December 2004*

	<b>Cement</b>	<b>Concrete</b>	<b>Corporate</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>level</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Additions to fixed assets	142,885	79,276	–	222,161
Depreciation of fixed assets	61,404	31,563	3	92,970
Amortisation of goodwill	–	6,176	–	6,176
Amortisation of mining rights	967	–	–	967
Amortisation of prepaid rentals	565	–	–	565
Release of negative goodwill to income	<u>(6,021)</u>	<u>(1,859)</u>	<u>–</u>	<u>(7,880)</u>

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

	<b>Cement</b>	<b>Concrete</b>	<b>Corporate</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>level</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	<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	<u>(2,330)</u>	<u>(776)</u>	<u>–</u>	<u>(3,106)</u>

*Secondary reporting format – geographical segments by location of customers**For the year ended 31 December 2004*

	<i>HK\$'000</i>	
Segment turnover		
Chinese Mainland		926,777
Hong Kong		511,614
		<u>1,438,391</u>
		<u><u>1,438,391</u></u>
	<b>Segment assets</b>	<b>Additions to</b>
	<i>HK\$'000</i>	<b>fixed assets</b>
		<i>HK\$'000</i>
Chinese Mainland	1,564,220	212,733
Hong Kong	789,554	9,428
	<u>2,353,774</u>	<u>222,161</u>
	<u><u>2,353,774</u></u>	<u><u>222,161</u></u>

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

	<i>HK\$'000</i>	
Segment turnover		
Chinese Mainland		299,855
Hong Kong		243,874
		<u>543,729</u>
		<u><u>543,729</u></u>
	<b>Segment assets</b>	<b>Additions to</b>
	<i>HK\$'000</i>	<b>fixed assets</b>
		<i>HK\$'000</i>
Chinese Mainland	1,267,539	58,175
Hong Kong	852,581	735
	<u>2,120,120</u>	<u>58,910</u>
	<u><u>2,120,120</u></u>	<u><u>58,910</u></u>

## 5. Finance Costs

	Period from 13/3/2003 (date of Year ended incorporation) 31/12/2004 to 31/12/2003	
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	20,864	10,072
Loans from minority shareholders of subsidiaries	1,235	524
	<u>22,099</u>	<u>10,596</u>
<i>Less:</i> Amount capitalised to fixed assets	<u>(527)</u>	<u>(572)</u>
	<u><u>21,572</u></u>	<u><u>10,024</u></u>

Capitalisation rate of borrowing costs are calculated at 5.17% (2003: 5.61%) to expenditure on qualifying assets.

## 6. Profit before Taxation

	Year ended 31/12/2004 <i>HK\$'000</i>	Period from 13/3/2003 (date of incorporation) to 31/12/2003 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' emoluments ( <i>Note 7</i> )	5,787	1,936
Other staff costs	135,137	54,676
Other pension costs and mandatory provident fund contributions, excluding directors	5,649	2,477
Total staff costs	146,573	59,089
Depreciation of fixed assets	92,970	36,339
Amortisation of goodwill (included in general and administrative expenses)	6,176	1,999
Amortisation of mining rights (included in general and administrative expenses)	967	267
Amortisation of prepaid rentals (included in general and administrative expenses)	565	236
Auditors' remuneration	1,636	947
Impairment loss recognised in respect of other investments	33	349
Operating lease payments in respect of rented premises	20,138	13,663
Loss on disposal of fixed assets	5,518	825
and after crediting:		
Interest income	975	843
Release of negative goodwill to income (included in other income)	7,880	3,106

## 7. Directors' Emoluments

	Year ended 31/12/2004 <i>HK\$'000</i>	Period from 13/3/2003 (date of incorporation) to 31/12/2003 <i>HK\$'000</i>
Fees to independent non-executive directors	300	129
Other emoluments for independent non-executive directors	–	–
Other emoluments for non-executive directors	–	–
Other emoluments for executive directors		
– basic salaries and allowances	5,293	1,679
– pension costs and mandatory provident fund contributions	194	128
	5,487	1,807
Total directors' emoluments	<u>5,787</u>	<u>1,936</u>

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

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	7	12
HK\$1,000,001 to HK\$1,500,000	<u>5</u>	<u>–</u>



### 8. Five Highest Paid Employees

The five highest paid employees during the year included four (13/03/2003 to 31/12/2003: one) directors, details of whose emoluments are set out in note 7 above. The details of the emoluments paid to the other one (13/03/2003 to 31/12/2003: four) highest paid employee are as follows:

	<b>Year ended 31/12/2004</b>	<b>Period from 13/3/2003 (date of incorporation) to 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	1,176	1,703
Pension costs and mandatory provident fund contributions	12	202
	<u>1,188</u>	<u>1,905</u>

Their emoluments were within the following band:

	<b>Number of employees</b>	
	<b>2004</b>	<b>2003</b>
Nil to HK\$1,000,000	–	4
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>1</u>	<u>–</u>

### 9. 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.

#### 10. Taxation

	<b>Year ended</b> <b>31/12/2004</b> <i>HK\$'000</i>	<b>Period from</b> <b>13/3/2003</b> <b>(date of</b> <b>incorporation)</b> <b>to 31/12/2003</b> <i>HK\$'000</i>
Current taxation		
Hong Kong Profits Tax	5,227	3,320
Chinese Mainland Enterprise Income Tax	(278)	–
	<u>4,949</u>	<u>3,320</u>
Deferred taxation		
Hong Kong	(4,353)	(1,480)
Chinese Mainland	4,035	1,414
	<u>(318)</u>	<u>(66)</u>
	<u><u>4,631</u></u>	<u><u>3,254</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the year/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 Chinese Mainland 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 credit of Chinese Mainland Enterprise Income Tax represents the overprovision in the prior period.

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

	<b>Year ended</b> <b>31/12/2004</b> <i>HK\$'000</i>	<b>Period from</b> <b>13/3/2003</b> <b>(date of</b> <b>incorporation)</b> <b>to 31/12/2003</b> <i>HK\$'000</i>
Profit before taxation	<u>121,228</u>	<u>34,102</u>
Tax at the domestic income tax rate of 17.5%	21,215	5,968
Tax effect of expenses that are not deductible in determining taxable profit	1,607	2,487
Tax effect of income that are not taxable in determining taxable profit	(3,502)	(1,100)
Tax effect of utilisation of tax losses not previously recognised	(4,418)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(9,993)	(4,101)
Overprovision in the prior period	<u>(278)</u>	<u>–</u>
Tax expense at effective tax rate for the year/period	<u>4,631</u>	<u>3,254</u>

**11. Dividend**

	<b>Year ended</b> <b>31/12/2004</b> <i>HK\$'000</i>	<b>Period from</b> <b>13/3/2003</b> <b>(date of</b> <b>incorporation)</b> <b>to 31/12/2003</b> <i>HK\$'000</i>
Final dividend proposed		
– HK5 cents (13/3/2003 to 31/12/2003: nil) per share	<u>19,090</u>	<u>–</u>

At the meeting held on 28 February 2005, the Directors proposed a final dividend of HK5 cents (13/3/2003 to 31/12/2003: nil) per share. This proposed dividend, which is calculated on the Company's estimated number of issued shares as at 4 April 2005, is not recognised as a liability in these financial statements.

## 12. Earnings Per Share

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

	<b>Year ended 31/12/2004</b>	<b>Period from 13/3/2003 (date of incorporation) to 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	<u>88,656</u>	<u>23,553</u>
	<b>Year ended 31/12/2004</b>	<b>Period from 13/3/2003 (date of incorporation) to 31/12/2003</b>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of calculating basic earnings per share	362,807	206,805
Effect on dilutive potential shares on share options	<u>612</u>	<u>305</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>363,419</u>	<u>207,110</u>

## 13. Fixed Assets

	THE GROUP						THE COMPANY	
	Land and buildings <i>HK\$'000</i>	Silo <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Barge and pier <i>HK\$'000</i>	Others <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>
<b>COST</b>								
At 1 January 2004	483,367	185,491	759,125	77,848	160,057	63,343	1,729,231	26
Acquisition of subsidiaries	40,418	–	13,429	–	24,190	–	78,037	–
Additions	10,692	7,611	17,701	11,312	41,792	133,053	222,161	–
Transfer from (to) construction in progress	5,927	11,087	16,217	2,792	2,303	(38,326)	–	–
Disposals	(9,866)	(3,133)	(10,464)	–	(5,944)	–	(29,407)	–
Exchange adjustments	321	237	811	96	155	88	1,708	–
At 31 December 2004	530,859	201,293	796,819	92,048	222,553	158,158	2,001,730	26
<b>ACCUMULATED DEPRECIATION</b>								
At 1 January 2004	64,031	28,915	297,347	14,713	71,813	–	476,819	1
Acquisition of subsidiaries	9,189	–	3,860	–	13,586	–	26,635	–
Charge for the year	16,667	7,178	48,974	5,458	14,693	–	92,970	3
Written back on disposals	(990)	(451)	(401)	–	(1,448)	–	(3,290)	–
Exchange adjustments	17	15	137	13	11	–	193	–
At 31 December 2004	88,914	35,657	349,917	20,184	98,655	–	593,327	4
<b>NET BOOK VALUES</b>								
At 31 December 2004	441,945	165,636	446,902	71,864	123,898	158,158	1,408,403	22
At 31 December 2003	419,336	156,576	461,778	63,135	88,244	63,343	1,252,412	25

	At 31/12/2004	At 31/12/2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book values of the land and buildings of the Group comprise:		
Properties in Hong Kong held on		
– long-term leases	19,699	20,678
– medium-term leases	214,566	220,218
Properties in Chinese Mainland held on		
– medium-term leases	191,176	166,103
– short-term leases	16,504	12,337
	<u>441,945</u>	<u>419,336</u>

Included in construction in progress is net interest capitalised of approximately HK\$1,099,000 (2003: HK\$572,000).

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

## 14. Intangible Assets

	<b>Goodwill</b> <i>HK\$'000</i> <i>(Note a)</i>	<b>Negative goodwill</b> <i>HK\$'000</i> <i>(Note b)</i>	<b>Mining rights</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>THE GROUP COST</b>				
At 1 January 2004	23,986	(37,259)	23,385	10,112
Acquisition of subsidiaries	10,125	(12,859)	–	(2,734)
Acquisition of additional interest in subsidiaries	6,861	–	–	6,861
Exchange adjustments	–	–	33	33
	<u>40,972</u>	<u>(50,118)</u>	<u>23,418</u>	<u>14,272</u>
<b>AMORTISATION</b>				
At 1 January 2004	1,999	(3,106)	267	(840)
Charge (release) for the year	6,176	(7,880)	967	(737)
	<u>8,175</u>	<u>(10,986)</u>	<u>1,234</u>	<u>(1,577)</u>
<b>NET BOOK VALUES</b>				
At 31 December 2004	<u>32,797</u>	<u>(39,132)</u>	<u>22,184</u>	<u>15,849</u>
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 and are amortised over five years.
- (b) The amounts represent the negative goodwill arising on acquisition of subsidiaries and are released to the consolidated profit and loss account over a period of five years.



## 15. Interests in Subsidiaries

	<b>THE COMPANY</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<u>761,617</u>	<u>726,517</u>

Particulars of the Company's subsidiaries at 31 December 2004 are set out in note 37.

## 16. Interest in an Associate

	<b>THE GROUP</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<u>65</u>	<u>72</u>

Particulars of the Company's associate at 31 December 2004 are set out in note 38.

## 17. Other Investments

	<b>THE GROUP</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares in Hong Kong, at cost	384	384
<i>Less:</i> Impairment loss recognised	<u>(382)</u>	<u>(349)</u>
	<u>2</u>	<u>35</u>

**18. Prepaid Rentals**

	<b>THE GROUP</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total prepaid rentals	3,963	4,523
<i>Less:</i> Amount to be utilised within one year included in other receivables	(566)	(565)
	<u>3,397</u>	<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.

**19. Deferred Taxation****THE GROUP**

The following are the major deferred tax (liabilities) and assets recognised by the Group and movements thereon during the year/period.

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Acquisition of subsidiaries	(45,991)	14,335	(31,656)
Credit (charge) to income ( <i>Note 10</i> )	1,155	(1,089)	66
At 31 December 2003	<u>(44,836)</u>	<u>13,246</u>	<u>(31,590)</u>
Acquisition of subsidiaries	–	545	545
Credit (charge) to income ( <i>Note 10</i> )	3,655	(3,337)	318
At 31 December 2004	<u>(41,181)</u>	<u>10,454</u>	<u>(30,727)</u>

	<b>THE GROUP</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities	(41,181)	(44,836)
Deferred tax assets	10,454	13,246
	<u>(30,727)</u>	<u>(31,590)</u>

At 31 December 2004, the Group has unused tax losses of HK\$46.0 million (2003: HK\$78.8 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$46.0 million (2003: HK\$52.4 million) of such losses. No deferred tax asset has been recognised at 31 December 2003 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

	<b>Tax loss</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year/period	480	–
Credit to income	974	480
At 31 December	<u>1,454</u>	<u>480</u>

**20. Stocks**

	<b>THE GROUP</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables	79,415	68,955
Work in progress	2,793	716
Finished goods	20,216	11,991
	<u>102,424</u>	<u>81,662</u>

**21. Trade Receivables**

The Group's trade receivables comprise:

	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from outsiders	395,986	307,360
Trade receivables from fellow subsidiaries	1,986	7,827
Trade receivables from minority shareholders of subsidiaries	7,525	33,552
	<u>405,497</u>	<u>348,739</u>

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

	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	283,663	248,458
91 – 180 days	75,109	27,128
181 – 365 days	24,990	52,316
Over 365 days	21,735	20,837
	<u>405,497</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.

## 22. Trade Payables

The Group's trade payables comprise:

	At 31/12/2004	At 31/12/2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables to outsiders	134,803	132,468
Trade payables to fellow subsidiaries	24,046	7,420
Trade payables to minority shareholders of subsidiaries	3,958	11,002
	<u>162,807</u>	<u>150,890</u>

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

	At 31/12/2004	At 31/12/2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	131,718	90,026
91 – 180 days	15,449	19,308
181 – 365 days	6,027	19,823
Over 365 days	9,613	21,733
	<u>162,807</u>	<u>150,890</u>

**23. Provisions**

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Acquisition of a subsidiary	58,400	–
Paid during the year	(682)	–
	<u>57,718</u>	<u>–</u>
At 31 December 2004	<u><u>57,718</u></u>	<u><u>–</u></u>
	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Analysed for reporting purposes as:		
Non-current liabilities	53,951	–
Current liabilities	3,767	–
	<u>57,718</u>	<u>–</u>

The provisions relate to payments to retired or temporarily laid-off employees. Such payment comprises various benefits, including old age insurance, subsidies for retirement and social medical insurance.

**24. Loans from Minority Shareholders of Subsidiaries**

Loans from minority shareholders of subsidiaries are interest bearing, unsecured and repayable on demand.

**25. Bank Loans**

Bank loans are repayable as follows:

	<b>THE GROUP</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	502,316	558,602
After one year but within two years	104,697	99,124
After two years but within five years	84,537	4,690
	<u>691,550</u>	<u>662,416</u>
<i>Less:</i> Amount due within one year included in the current liabilities	<u>(502,316)</u>	<u>(558,602)</u>
Amount due after one year	<u>189,234</u>	<u>103,814</u>
Secured	282,690	392,406
Unsecured	<u>408,860</u>	<u>270,010</u>
	<u>691,550</u>	<u>662,416</u>

**26. Advance from a Minority Shareholder of a Subsidiary**

The amount was unsecured, interest free and had no fixed repayment terms.

## 27. Share Capital

	Number of shares	Amount <i>HK\$'000</i>
Share of HK\$0.10 each:		
<i>Authorised:</i>		
At the date of incorporation, 31 December 2003 and 31 December 2004	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
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 and 31 December 2004	<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, one share of HK\$0.10 was allotted and issued, for cash at par, to the subscriber.

On 25 March 2003, one 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 one 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 China Resources Holdings as consideration for the Acquisitions and for the settlement of the outstanding loan of HK\$208,705,000 due by the Group to China Resources Holdings.



**28. Share Option Scheme**

On 20 June 2003, the Company's then sole shareholder and directors adopted the Company's first share option scheme ("Scheme"). The Scheme 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 at 29 July 2003, being the date of adoption of the Scheme.

The offer of a grant of share options under the Scheme may be accepted within 14 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 a certain percentage 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 year and outstanding at 31 December 2004 were as follows:

Name of Participant	Date of grant	Exercise price (HK\$)	Outstanding at 01/01/2004	Granted during the year	Exercised during the year	Lapsed during the year	Number of share options granted during the year and shares issuable under the options granted at 31/12/2004
Directors	5 December 2003	2.325	14,300,000	–	–	–	14,300,000
	16 December 2004	1.660	–	4,800,000	–	–	4,800,000
Employees other than Directors	5 December 2003	2.325	12,440,000	–	–	(860,000)	11,580,000
	16 December 2004	1.660	–	3,700,000	–	–	3,700,000
Other Participants	5 December 2003	2.325	1,740,000	–	–	–	1,740,000
			<u>28,480,000</u>	<u>8,500,000</u>	<u>–</u>	<u>(860,000)</u>	<u>36,120,000</u>

*Note:* The closing price of the Company's shares on the trading day immediately before the date of the grant of the options was HK\$1.64.

The options granted on 5 December 2003 are exercisable as follows:

<b>From</b>	<b>To</b>	<b>Number exercisable</b>
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

The options granted on 16 December 2004 are exercisable as follows:

<b>From</b>	<b>To</b>	<b>Number exercisable</b>
16 December 2005	15 December 2006	Up to 25% of the share options granted
16 December 2006	15 December 2007	Up to 50% of the share options granted, less the number of shares in respect of which the option had been previously exercised
16 December 2007	15 December 2008	Up to 75% of the share options granted, less the number of shares in respect of which the option had been previously exercised
16 December 2008	15 December 2014	The remaining share options which have not been exercised

## 29. Reserves

## THE GROUP

The retained profits of the Group include deficit of HK\$14,000 (2003: HK\$7,000) attributable to the associate.

## THE COMPANY

	<b>Share premium</b>	<b>Deficit</b>	<b>Total</b>
	<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	925,919	(1,866)	924,053
Net loss for the year	–	(4,343)	(4,343)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>925,919</u>	<u>(6,209)</u>	<u>919,710</u>

At 31 December 2004, the Company's distributable reserves amounted to HK\$919,710,000 (2003: HK\$924,053,000).

## 30. Acquisition of Subsidiaries

	Year ended 31/12/2004 <i>HK\$'000</i>	Period from 13/3/2003 (date of incorporation) to 31/12/2003 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	51,402	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	545	14,335
Stocks	1,620	82,457
Trade receivables	15	341,671
Other receivables	4,805	38,533
Advance to a subsidiary of the Company	12,194	–
Amounts due from fellow subsidiaries	–	28,214
Amounts due from associates	–	3,607
Pledged bank deposits	–	9,129
Cash and bank balances	12,489	225,880
Trade payables	(2,492)	(157,992)
Other payables	(23,527)	(120,593)
Provisions	(58,400)	–
Amounts due to fellow subsidiaries	–	(42,413)
Amounts due to minority shareholders of subsidiaries	–	(3,224)
Amounts due to associates	–	(13)
Taxation payable	–	(2,389)
Bank loans	–	(529,914)
Loans from minority shareholders of subsidiaries	–	(91,274)
Loans from fellow subsidiaries	–	(11,999)
Advance from a minority shareholder of a subsidiary	–	(16,967)
Deferred tax liabilities	–	(45,991)
Minority interests	51,714	(93,245)
	50,365	933,765
Goodwill on acquisition	10,125	23,986
Negative goodwill on acquisition	(12,859)	(37,259)
Reclassification of interests in associates upon acquisition of the remaining interests of the associates	–	(26,463)
Total consideration	<u>47,631</u>	<u>894,029</u>

	<b>Year ended</b> <b>31/12/2004</b> <i>HK\$'000</i>	<b>Period from</b> <b>13/3/2003</b> <b>(date of</b> <b>incorporation)</b> <b>to 31/12/2003</b> <i>HK\$'000</i>
Discharged by:		
Cash	33,629	23,180
Issue of shares	–	870,849
Consideration not yet paid included in other payables	14,002	–
	<u>47,631</u>	<u>894,029</u>
Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:		
Cash consideration paid	(33,629)	(23,180)
Cash and bank balances acquired	12,489	225,880
	<u>(21,140)</u>	<u>202,700</u>

The subsidiaries acquired during the year ended 31 December 2004 did not contribute significantly to the Group's cash flows or operating results.

The Group's turnover and profit from operations were substantially contributed by the subsidiaries acquired during the period from 13 March 2003 (date of incorporation) to 31 December 2003.

**31. 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:

	<b>THE GROUP</b>	
	<b>At 31/12/2004</b>	<b>At 31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	5,850	7,426
In the second to fifth year inclusive	10,119	7,977
Over five years	6,457	308
	<u>22,426</u>	<u>15,711</u>

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

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

**32. Contingent Liabilities**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>At</b>	<b>At</b>	<b>At</b>	<b>At</b>
	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>31/12/2004</b>	<b>31/12/2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to financial institutions				
– in respect of bank loans utilised				
by subsidiaries	–	–	157,469	189,394
– to facilitate hire purchase loans granted				
to the Group's sub-contractors	288	2,567	–	–
	<u>288</u>	<u>2,567</u>	<u>–</u>	<u>–</u>

### 33. Capital Commitments

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

	THE GROUP		THE COMPANY	
	At 31/12/2004 HK\$'000	At 31/12/2003 HK\$'000	At 31/12/2004 HK\$'000	At 31/12/2003 HK\$'000
Contracted for but not provided for	497,223	19,146	–	–
Authorised but not contracted for	339,387	154,654	69,334	–
	<u>836,610</u>	<u>173,800</u>	<u>69,334</u>	<u>–</u>

### 34. Pledge of Assets

At 31 December 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 HK\$76,764,000, HK\$101,898,000, HK\$275,073,000, HK\$53,194,000 and HK\$25,360,000 (2003: 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.

### 35. Related Party Transactions

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

		Year ended 31/12/2004	Period from 13/3/2003 (date of incorporation) to 31/12/2003
	Notes	HK\$'000	HK\$'000
Sales of goods to fellow subsidiaries	(a)	19,182	14,194
Purchase of goods from fellow subsidiaries	(b)	55,262	6,570
Testing services provided to fellow subsidiaries	(a)	<u>100</u>	<u>394</u>

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 year.

On 20 June 2003, the Company entered into an option deed with China Resources Holdings, pursuant to which a call option is granted to the Company by China Resources 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 Pingnan China Resources Yufeng Cement Company Limited (the “Pingnan Joint Venture”), a company established on 20 May 2002 for the purpose of engaging in cement production in Pingnan, Guangxi, at the original investment costs of China Resources 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 Pingnan Joint Venture. On 29 November 2004, the Company exercised such option to acquire 73.5% interest of the Pingnan Joint Venture and the related shareholder’s loan at the aggregate consideration of HK\$151.7 million and the acquisition was completed on 13 January 2005.

### 36. Post Balance Sheet Events

1. Pursuant to the resolution of shareholders passed in an extraordinary general meeting of the Company on 10 January 2005, the Group issued HK\$800.0 million zero coupon convertible bonds due 2010 guaranteed by and convertible into ordinary shares of the Company at the initial conversion price of HK\$2.00 per share to Firstsuccess Investments Limited, a wholly owned subsidiary of China Resources (Holdings) Company Limited, on 13 January 2005. On the same date, the shareholders also passed the resolution to approve the acquisition of 73.5% interest in the Pingnan Joint Venture and the related shareholder’s loans at the aggregate consideration of HK\$151.7 million and the acquisition was also completed on 13 January 2005.
2. On 12 January 2005, the Company entered into a share swap agreement with Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Limited and UBE Industries Ltd., being all the minority shareholders of the Group’s subsidiary, China Resources Dongguan Cement Manufactory Holdings Limited, for the purpose of acquisition of the remaining 25% shareholding interests in China Resources Dongguan Cement Manufactory Holdings Limited at the total consideration of HK\$38,000,000 which shall be settled by the issuance of 19,000,000 shares of HK\$0.10 each of the Company. The acquisition was completed on 23 February 2005.

3. On 23 February 2005, the Board approved the increase in registered capital of, and the injection of capital into, the Pingnan Joint Venture to the extent of RMB419.2 million for the purpose of construction of a new 5,000 tonnes per day New Suspension Preheater production line. The capital injection is subject to approval by shareholders of the Company.
4. On 23 February 2005, the Board approved the construction of a new 3,200 tonnes per day New Suspension Preheater production line for the purpose of replacing the five existing wet process kilns at Guangxi China Resources Hongshuihe Cement Co., Ltd. at a total cost of approximately RMB230,000,000. The construction is expected to be completed at the end of 2005.

### 37. Subsidiaries

Details of the Company's subsidiaries at 31 December 2004 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	British Virgin Islands	US\$2	100%	-	Investment holding
China Resources Cement Finance Limited (formerly known as Bestleap Group Limited)	British Virgin Islands	US\$1	100%	-	Financing
China Resources Cement (Guigang) Limited	Chinese Mainland	US\$11,820,470.50	-	100%	Manufacture and sale of cement
China Resources Cement Investments Limited	Chinese Mainland	HK\$35,100,000	100%	-	Investment holding and sale of cement

**APPENDIX II**
**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 Concrete Limited	British Virgin Islands	US\$1,000	100%	–	Investment holding
China Resources Concrete (Nanning) Limited	Chinese Mainland	HK\$20,000,000	–	100%	Manufacture and sale of concrete
China Resources Dongguan Cement Manufactory Holdings 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\$20,000,000	–	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
Flavour Glory Limited	British Virgin Islands	US\$2	–	100%	Investment holding
Foshan China Resources Shunan Concrete Limited (formerly known as Foshan Shunan Concrete Limited)	Chinese Mainland	US\$1,210,000	–	100%	Manufacture and sale of concrete

**APPENDIX II**
**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	
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	–	100%	Manufacture and sale of cement
Guangxi China Resources Hongshuihe Pier Store Limited	Chinese Mainland	RMB2,000,000	–	95%	Property holding
Guangxi Hongshuihe Cement Joint Stock Company Limited	Chinese Mainland	RMB324,500,000	–	67.86%	Investment 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
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

**APPENDIX II**
**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	
Redland Ash Limited	Hong Kong	HK\$2	–	100%	Trading of fly ash
Redland Concrete Limited	Hong Kong	HK\$10	–	100%	Manufacture and sale of concrete
Redland Concrete (China) Limited	Hong Kong	HK\$2	–	100%	Holding of barge
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%	Holding of tug boat
Redland Shotcrete Limited	Hong Kong	HK\$2	–	100%	Trading of shotcrete
Shenzhen China Resources Tiejian Concrete Co., Ltd.	Chinese Mainland	RMB25,000,000	–	100%	Manufacture and sale of concrete
Shenzhen China Resources Shengcheng Concrete Limited	Chinese Mainland	RMB20,000,000	–	100%	Manufacture and sale of concrete

**APPENDIX II****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	
Shenzhen China Resources Wenwei Concrete Limited	Chinese Mainland	RMB20,000,000	–	100%	Manufacture and sale of concrete
Sinoking Logistics Limited	Hong Kong	HK\$2	–	100%	Holding of barge
Sinoking Shipping Limited	Hong Kong	HK\$2	–	100%	Holding of barge
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\$22,000,000	–	70%	Manufacture and sale of cement

**38. Associate**

Details of the Group's associate at 31 December 2004 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. INDEBTEDNESS**

As at the close of business on 31 January 2005, being the latest practicable date for the indebtedness statement prior to the printing of this circular, the Enlarged Group had total bank loans and bank overdraft of approximately HK\$1,120.0 million, of which bank loans of approximately HK\$282.7 million were secured by the Enlarged Group's certain fixed assets with the carrying value as at 31 January 2005 of approximately HK\$554.6 million. Of the bank loans and bank overdraft of approximately HK\$1,120.0 million, the amount of approximately HK\$382.7 million and HK\$17.1 million were guaranteed by China Resources Holdings and Sumitomo Corporation respectively.

As at 31 January 2005, the Enlarged Group had outstanding Bonds in the amount of HK\$800.0 million which are convertible into 400,000,000 Shares on basis of the initial conversion price of HK\$2.00 per Share.

As at 31 January 2005, the Enlarged Group also had loans from minority shareholders of subsidiaries of approximately HK\$41.9 million which are unsecured and interest bearing.

As at 31 January 2005, the Enlarged 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\$0.2 million.

Save as aforesaid and apart from intra-group liabilities, the group did not have outstanding at the close of business on 31 January 2005 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 January 2005.

**IV. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that upon the completion of the Capital Contribution, and based on available banking and other facilities and internal resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its requirements currently and for the period ending twelve months from the date of this circular.

**V. 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 of the Group since 31 December 2004, the date to which the latest audited consolidated financial statements of the Group were made up.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The following is the unaudited pro forma financial information of the Enlarged Group. The unaudited pro forma consolidated profit and loss account and cashflow statement are prepared assuming that the Acquisition, the issuance of Bonds and the Capital Contribution had been taken place at the commencement of the year ended 31 December 2004 and the unaudited pro forma consolidated balance sheet is prepared assuming that the Acquisition, the issuance of Bonds and the Capital Contribution had been taken place at 31 December 2004. The unaudited pro forma financial information was prepared based on the audited consolidated financial statements of the Group for the year ended 31 December 2004, which has been extracted from the annual report of the Company for the year ended 31 December 2004, and the financial information of Pingnan Joint Venture for the year ended 31 December 2004 as set out in Appendix I Accountants' Report of Pingnan Joint Venture to this circular, with adjustments to reflect the effect of the Acquisition, the issuance of Bonds and the Capital Contribution.

The unaudited pro forma financial information was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Group or the Enlarged Group for any financial period, the financial position of the Group or the Enlarged Group at any date, nor the cash flows of the Group or the Enlarged Group for any financial period.



**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**
**(a) Unaudited Pro Forma Consolidated Profit and Loss Account for the Year Ended  
31 December 2004**

	<i>Notes</i>	<b>The Group</b> <i>HK\$'000</i>	<b>Pingnan Joint Venture</b> <i>HK\$'000</i>	<b>Pro forma adjustments</b> <i>HK\$'000</i>	<b>The Enlarged Group</b> <i>HK\$'000</i>
Turnover		1,438,391	28,223		1,466,614
Cost of sales		(1,063,538)	(30,121)		(1,093,659)
Gross profit (loss)		374,853	(1,898)		372,955
Other income		33,417	204		33,621
Selling and distribution expenses		(115,739)	–		(115,739)
General and administrative expenses	<i>1</i>	(149,724)	(13,654)	(3,024)	(166,402)
Profit (loss) from operations		142,807	(15,348)		124,435
Finance costs		(21,572)	(2,910)		(24,482)
Share of results of associates		(7)	–		(7)
Profit (loss) before taxation		121,228	(18,258)		99,946
Taxation		(4,631)	7,295		2,664
Profit (loss) before minority interests		116,597	(10,963)		102,610
Minority interests	<i>2</i>	(27,941)	–	998	(26,943)
Profit (loss) attributable to shareholders		<u>88,656</u>	<u>(10,963)</u>		<u>75,667</u>

**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP****(b) Unaudited Pro Forma Consolidated Balance Sheet as at 31 December 2004**

		<b>Pingnan Joint</b>	<b>Pro forma</b>	<b>The Enlarged</b>
		<b>Venture</b>	<b>adjustments</b>	<b>Group</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Fixed assets		1,408,403		1,945,681
Intangible assets	3	15,849	15,120	56,743
Interest in an associate		65		65
Other investments		2		2
Retention monies receivable due after one year		5,036		5,036
Prepaid rentals		3,397		3,397
Deposits on acquisition of fixed assets		66,657		69,441
Deferred tax assets		10,454		17,749
		<u>1,509,863</u>		<u>2,098,114</u>
Current assets				
Stocks		102,424		138,772
Retention monies receivable due within one year		11,265		11,265
Trade receivables		405,497		419,365
Other receivables		67,534		81,652
Cash and bank balances	3,4&5	257,191	450,414	715,382
		<u>843,911</u>		<u>1,366,436</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

		The Group	Pingnan Joint Venture	Pro forma adjustments	The Enlarged Group
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities					
Trade payables		162,807	35,459		198,266
Other payables		211,135	37,363		248,498
Provisions		3,767	–		3,767
Amounts due to fellow subsidiaries		448	–		448
Amounts due to minority shareholders of subsidiaries		2,808	–		2,808
Taxation payable		334	–		334
Loans from minority shareholders of subsidiaries		41,897	–		41,897
Bank loans					
Amount due within one year	5	502,316	194,886	(194,886)	502,316
		<u>925,512</u>	<u>267,708</u>		<u>998,334</u>
Net current (liabilities) assets		<u>(81,601)</u>	<u>(195,597)</u>		<u>368,102</u>
Total assets less current liabilities					
		<u>1,428,262</u>	<u>377,534</u>		<u>2,466,216</u>
Non-current liabilities					
Bank loans					
Amount due after one year		189,234	187,860		377,094
Provisions		53,951	–		53,951
Convertible bonds	4	–	–	800,000	800,000
Deferred tax liabilities		41,181	–		41,181
		<u>284,366</u>	<u>187,860</u>		<u>1,272,226</u>
Minority interests	3	70,761	–	53,094	123,855
Net assets		<u>1,073,135</u>	<u>189,674</u>		<u>1,070,135</u>
Capital and reserves					
Share capital	6	36,281	205,204	(205,204)	36,281
Reserves	4&6	1,036,854	(15,530)	12,530	1,033,854
		<u>1,073,135</u>	<u>189,674</u>		<u>1,070,135</u>

**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP****(c) Unaudited Pro Forma Consolidated Cash Flow Statement for the year ended  
31 December 2004**

	<b>The Group</b>	<b>Pingnan Joint</b>	<b>Pro forma</b>	<b>The Enlarged</b>
	<i>HK\$'000</i>	<i>Venture</i>	<i>adjustments</i>	<i>Group</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>				
Profit (loss) before taxation	121,228	(18,258)		102,970
Adjustments for:				
Depreciation of fixed assets	92,970	4,199		97,169
Amortisation of goodwill	6,176	–		6,176
Negative goodwill released to income	(7,880)	–		(7,880)
Amortisation of mining rights	967	130		1,097
Impairment loss recognised in respect of other investments	33	–		33
Amortisation of prepaid rentals	565	–		565
Interest income	(975)	(204)		(1,179)
Interest expenses	21,572	2,910		24,482
Share of results of associates	7	–		7
Loss on disposal of fixed assets	5,518	–		5,518
Decrease in provisions	(682)	–		(682)
	<hr/>	<hr/>		<hr/>
<b>Operating cash inflow (outflow) before movements in working capital</b>	239,499	(11,223)		228,276
Increase in stocks	(19,142)	(36,328)		(55,470)
Increase in retention monies receivable	(2,170)	–		(2,170)
Increase in trade receivables	(56,743)	(13,868)		(70,611)
Increase in other receivables	(1,761)	(9,211)		(10,972)
Increase in trade payables	9,425	35,459		44,884
Increase in other payables	19,801	9,567		29,368
Decrease in amounts due to fellow subsidiaries	(26)	–		(26)
Decrease in amounts due to minority shareholders of subsidiaries	(344)	–		(344)
Effect of foreign exchange rate changes on inter-company balances	(1,144)	–		(1,144)
	<hr/>	<hr/>		<hr/>
<b>Cash generated from (used in) operations</b>	187,395	(25,604)		161,791
Hong Kong Profits Tax paid	(4,360)	–		(4,360)
Chinese Mainland Enterprise Income Tax paid	(368)	–		(368)
Interest paid	(22,099)	(8,930)		(31,029)
	<hr/>	<hr/>		<hr/>
<b>Net cash generated from (used in) operating activities</b>	160,568	(34,534)		126,034

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

		Pingnan Joint	Pro forma	The Enlarged
	Notes	The Group	adjustments	Group
		HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	3	(21,140)	(151,700)	(172,840)
Acquisition of additional interest in a subsidiary		(14,070)		(14,070)
Interest received		975	394	1,369
Purchase of fixed assets		(200,357)	(398,395)	(598,752)
Purchase of mining rights		–	(9,254)	(9,254)
Proceeds from disposal of fixed assets		20,599	–	20,599
Increase in deposits on acquisition of fixed assets		(66,657)	–	(66,657)
Decrease in pledged bank deposits		1,032	–	1,032
<b>Net cash used in investing activities</b>		<u>(279,618)</u>	<u>(407,255)</u>	<u>(838,573)</u>
<b>Cash flows from financing activities</b>				
Net cash outflow from amounts due to minority shareholders of subsidiaries		–	(974)	(974)
Bank loans raised		402,293	382,746	785,039
Repayments of bank loans	5	(373,544)	–	(568,430)
Capital contributed by minority shareholders of subsidiaries		3,810	–	3,810
Net proceeds from issuance of Bonds	4	–	797,000	797,000
Dividend paid to minority shareholders of subsidiaries		(2,191)	–	(2,191)
Loan from minority shareholders of subsidiaries raised		12,960	–	12,960
<b>Net cash generated from financing activities</b>		<u>43,328</u>	<u>381,772</u>	<u>1,027,214</u>
<b>Net (decrease) increase in cash and cash equivalents for the year</b>		(75,722)	(60,017)	314,675
<b>Cash and cash equivalents at beginning of year</b>		<u>332,913</u>	<u>67,794</u>	<u>400,707</u>
<b>Cash and cash equivalents at end of year, representing cash and bank balances</b>		<u><u>257,191</u></u>	<u><u>7,777</u></u>	<u><u>715,382</u></u>

**(d) Notes to Unaudited Pro Forma Financial Information**

1. The adjustment reflects the amortisation of goodwill amounting to HK\$3,024,000 arising on the Acquisition and the Capital Contribution. Goodwill is amortised on straight-line basis over five years.
2. The adjustment reflects the share of loss by the 9.1% minority owner of Pingnan Joint Venture amounting to HK\$998,000.
3. The adjustment reflects goodwill arising from:
  - (a) the acquisition of 73.5% equity interest of Pingnan Joint Venture, with net assets of approximately HK\$139,410,000 after netting off of 26.5% minority interests of approximately HK\$50,264,000 as at 31 December 2004, at a consideration of approximately HK\$151,700,000, resulting in goodwill of approximately HK\$12,290,000; and
  - (b) the Capital Contribution of approximately HK\$393,773,000 by Tricot Limited resulting in the dilution of the minority shareholder's interest in Pingnan Joint Venture from 26.5% to approximately 9.1% and the increase in shareholding of the Group in Pingnan Joint Venture from 73.5% to 90.9%; and the goodwill arising from such deemed acquisition amounted to approximately HK\$2,830,000.

The aggregate goodwill resulting from the Acquisition and the Capital Contribution amounted to approximately HK\$15,120,000.

4. The adjustment reflects the proceeds from the issuance of Bonds amounting to HK\$800,000,000 after netting of estimated issuing expenses of HK\$3,000,000 which would be expensed as they are incurred. The Bonds were issued for the Company's Acquisition, repayment of bank loan of Pingnan Joint Venture, development of new cement production line and general working capital purpose. Details are set out in the Company's circular to Shareholders dated 24 December 2004.
5. The adjustment reflects the repayment of short-term bank loan of Pingnan Joint Venture guaranteed by China Resources Holdings, amounting to HK\$194,886,000. Such banking facility has been discontinued and repaid in full after the Acquisition.
6. The adjustment reflects the elimination of share capital and pre-acquisition losses of Pingnan Joint Venture.

**LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
ENLARGED GROUP**

The following is the text of a letter from Deloitte Touche Tohmatsu, the reporting accountants, in respect of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group.

**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

24 March 2005

*The Directors***China Resources Cement Holdings Limited**

Dear Sirs,

We report on the unaudited pro forma financial information of China Resources Cement Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix III (the “Unaudited Pro Forma Financial Information”) to the circular of the Company dated 24 March 2005 (the “Circular”) in connection with the proposed additional capital contribution (the “Capital Contribution”) to 廣西平南華潤魚峰水泥有限公司 (translated as Guangxi Pingnan China Resources Yufeng Cement Company Limited) (“Pingnan Joint Venture”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the acquisition of 73.5% equity interests in Pingnan Joint Venture (the “Acquisition”), issue of zero coupon convertible bonds due 2010 guaranteed by and convertible into ordinary share of the Company to China Resources (Holdings) Company Limited (the “Issuance of Bonds”) and the Capital Contribution might have affected the financial information presented.

**RESPONSIBILITIES**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on Pro Forma Financial Information pursuant to the Listing Rules” issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared on the basis set out in the Circular for illustrative purposes only and, because of its nature, it may not be indicative of the financial position of the Group as at 31 December 2004 or at any future date.

**OPINION**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong



*The following is the text of a report, prepared for the purpose of incorporation in this circular, received from DTZ Debenham Tie Leung Limited.*



24 March 2005

The Board of Directors  
China Resources Cement Holdings Limited  
Room 4107, 41st Floor  
China Resources Building  
26 Harbour Road  
Wan Chai  
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by China Resources Cement Holdings Limited and/or its subsidiaries (collectively “the Group”) in Hong Kong and the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of those property interests as at 31 January 2005 (the “date of valuation”).

Our valuation of each of the property interests represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Unless otherwise stated, in the course of our valuation of the property interests held and occupied by the Group in the PRC, we have assumed that transferable land use rights in respect of the property interests for respective specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or assign the property interests for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Unless otherwise stated, in forming our opinion of values of the property interests which are held and occupied by the Group, we have valued each of them by the Direct Comparison Method by making reference to comparable sales transactions as available in the relevant market.

Regarding property nos. 13 and 14 which are held and occupied by the Group in the PRC, due to the specific nature of the buildings and structures, there are no readily identifiable market sales comparables and the buildings and structures cannot be valued by comparison with appropriate open market transactions. Therefore, we have adopted the Depreciated Replacement Cost (“DRC”) Approach in valuing the property interests. The DRC Approach requires a valuation of the open market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are then made to allow for the age, condition and functional obsolescence. The DRC Approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

According to the legal opinion of the Group’s PRC legal adviser, Global Law Office (“the legal opinion”), the Group has not obtained the land use rights and building ownership of property nos. 18, 19, 20, 23, 24, 25 and 26, we have therefore not assigned value to these properties.

The property interests in Groups II and IV, which are rented by the Group in Hong Kong and the PRC respectively, have no commercial values due to the prohibitions against assignment of the property interests or otherwise due to the lack of substantial profit rents.

Dimension, measurements and areas included in the attached valuation certificates are based on information provided to us and are therefore only approximations. We have not been able to carry out on site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct. We have had no reasons to doubt the truth and accuracy of the information provided to us by you which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied. No on site measurement has been taken.

We have not been provided with copies of the title documents relating to the property interests in Hong Kong but have caused searches to be made at the appropriate Land Registries. However, we have not searched the original documents to ascertain ownership or to verify any amendments. We have been provided with extracts of documents in relation to the title to the property interests in the PRC but we have not inspected the originals. We have relied upon information given to us by the Group’s PRC legal adviser, Global Law Office, in respect of the Group’s interest in the properties in the PRC.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of properties, completion dates of buildings, particulars of occupancy, site and floor areas and all other relevant matters.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services.

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong dollars. The exchange rate adopted in our valuations is HK\$0.9393 = RMB1 which was the approximate exchange rate prevailing as at the date of valuation. There has been no significant fluctuation in the said exchange rate between the date of valuation and the date of this letter.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**K.B. Wong**  
*Registered Professional Surveyor*  
*M.R.I.C.S., M.H.K.I.S.*  
*Director*

*Note:* Mr. K.B. Wong is a Registered Professional Surveyor who has more than 20 years of experience in valuation of properties in Hong Kong and over 15 years of experience in valuation of properties in the PRC.

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 January 2005 <i>HK\$</i>	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 31 January 2005 <i>HK\$</i>
<b>Group I – Property interests held and occupied by the Group in Hong Kong</b>			
1. The Bucket Elevator Room on Ground Floor, Half of 1st Floor and one Ramped Driveway from Ground Floor to 1st Floor, one Hopper Room and one Shaft Area (formerly called the Bucket Elevator Shaft) on 2nd Floor, one Storage Bin on the side of the Bucket Elevator of the building from 3rd Floor upwards to the Roof of the building and the Roof of one Storage Bin on 12th Floor level, Safety Godown Industrial Building, No. 56 Ka Yip Street, Chai Wan, Hong Kong	13,000,000	100.0	13,000,000
2. Portion of Ground Floor, Wah Tung Godown and portion of Yau Tong Marine Lot No. 70 ("Yau Tong Lot"), No. 4 Tung Yuen Street, Yau Tong, Kowloon	11,000,000	100.0	11,000,000
3. No. 6 Tung Yuen Street, Yau Tong, Kowloon	66,000,000	100.0	66,000,000
4. A batching plant situated at Tong Yan San Tsuen Road, Tong Yan San Tsuen, Yuen Long, New Territories	12,000,000	100.0	12,000,000
5. A storage situated at Ma Fung Ling Road, Tong Yan San Tsuen, Yuen Long, New Territories	1,800,000	100.0	1,800,000
		Sub-total:	103,800,000

## SUMMARY OF VALUATIONS

<b>Property</b>	<b>Capital value in existing state attributable to the Group as at 31 January 2005 HK\$</b>
<b>Group II – Property interests rented by the Group in Hong Kong</b>	
6. The Remaining Portion of Lot No. 1263 in Demarcation District No. 121, Tong Yan San Tsuen Road, Yuen Long, New Territories	No commercial value
7. Lot No. 2899 in Demarcation District No. 111, Pat Heung, Yuen Long, New Territories	No commercial value
8. Berth No. TM11 at Tuen Mun Public Cargo Working Area, Area 16, Tuen Mun, New Territories	No commercial value
9. Factories A and B on 7th Floor, Block 3, Tai Ping Industrial Centre, 53 Ting Kok Road, Tai Po, New Territories	No commercial value
10. 8th Floor, Kaiseng Commercial Centre, 4-6 Hankow Road, Tsimshatsui, Kowloon	No commercial value
11. 15th Floor, Kaiseng Commercial Centre, 4-6 Hankow Road, Tsimshatsui, Kowloon	No commercial value
Sub-total:	No commercial value

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 January 2005 <i>HK\$</i>	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 31 January 2005 <i>HK\$</i>
<b>Group III – Property interests held and occupied by the Group in the PRC</b>			
12. Unit 401, Block 22, Bibo Garden, Yanhe Road, Luohu District, Shenzhen City, Guangdong Province	450,000	100.0	450,000
13. A cement plant at Eastern Plot of Litang Town, Binyang County, Guangxi ZAR	142,400,000	90.4	128,730,000
14. A cement plant at Fulusha Management District, Shatian Town, Dongguan City, Guangdong Province	150,000,000	75.0	112,500,000
15. Two plots of land at Legou Zuoye District, Qinzhou Harbour, Qinzhou City, Guangxi ZAR	17,300,000	85.8	14,843,000
16. A plot of land at Makeng, Shenwan Town, Zhongshan City, Guangdong Province	400,000	90.4	362,000
17. An industrial site at Feng Huang Shan, Qintang Village, Eastern Plot of Litang Town, Binyang County, Guangxi ZAR	17,800,000	90.4	16,091,000
18. Unit 501 of Block 13, Haiwan Garden, Shi Hau Xi Road, Zhuhai City, Guangdong Province	No commercial value	90.4	No commercial value

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 January 2005 <i>HK\$</i>	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 31 January 2005 <i>HK\$</i>
19. Unit 101 of Block 6, Julong Court, Shijie Garden, Western of Shennan Road, Nanshan District, Shenzhen City, Guangdong Province	No commercial value	90.4	No commercial value
20. A plot of land at Daling Village, Qintang District, Guigang City, Guangxi ZAR	No commercial value	100.0	No commercial value
21. Three plots of land at Danzhu Town, Pingnan County, Guangxi ZAR	39,640,000	73.5	29,135,000
22. Unit 201 and Unit 202 of Block 1 and Unit 203 of Block 2, Building 2, Zhengdi Garden, Beihu South Road, Nanning City, Guangxi ZAR	1,050,000	67.9	713,000
23. Unit 206, Block 13, Changmao Garden, No. 39 Nanhang Road, Haikou City, Hainan Province	No commercial value	67.9	No commercial value
24. Unit 502, Type A Residential Building, Mianqianpo Village, Longkun South Road, Haikou City, Hainan Province	No commercial value	67.9	No commercial value
25. A cement plant at Suixi County Zhanjiang City Guangdong Province	No commercial value	63.3	No commercial value
26. A plot of land at Jiangbin Road Pingnan County Guangxi ZAR	No commercial value	73.5	No commercial value
		Sub-total:	302,824,000

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 January 2005 HK\$
<b>Group IV – Property interests rented by the Group in the PRC</b>	
27. A plot of land at San Shan Harbour Development District, Nanhai City, Guangdong Province	No commercial value
28. Unit 501 of a composite building, Legou Zuoye District, Qinzhou Harbour, Qinzhou City, Guangxi ZAR	No commercial value
29. A batching plant at Xiaohe Industrial Park, Xiaohe Village, Daojiao Town, Dongguan City, Guangdong Province	No commercial value
30. Four plots of land at Dawandu, Xiagun Tun, Huhe Village, Daling Village, Qintang District, Guigang City, Guangxi ZAR	No commercial value
31. A plot of land at Mapanling Longma Village 14th Team Daling Village, Qintang District, Guigang City, Guangxi ZAR	No commercial value
32. Levels 1 to 5, Boiler room on Level 6 and portion of land on ground level, Jinxin Hotel, Jingang Road, Guigang City, Guangxi ZAR	No commercial value
33. A building at Jingang Road, Guigang City, Guangxi ZAR	No commercial value
34. A plot of land beside Chaolianzhishan Water Gate, Jiangmen City, Guangdong Province	No commercial value
35. Two ancillary buildings and a plot of land at the Old ferry of Chenwu Village and Xiaopenggang, Village Longxi Town Boluo County, Huizhou City, Guangdong Province	No commercial value



## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 January 2005 HK\$
36. A portion of vacant land at the original site of Lianfa Cement Factory Northeast Levee Yuanjiachong Zhongtang Town, Dongguan City Guangdong Province	No commercial value
37. Land Lot No. B31 at the north side of Xiashanchong Wharf Fuyong Town, Baoan District Shenzhen City Guangdong Province	No commercial value
38. A plot of land at the north side of Nanwu Road Xiangqiao Village Santang Town Xinning District Nanning City Guangxi ZAR	No commercial value
39. A plot of land at Biankeng section Langkou Village Longhua Town Baoan District Shenzhen City Guangdong Province	No commercial value
40. Land Lot No. (99) 3-101 situated to the south of North Ring Road and west of Shenyun Road Shenzhen City Guangdong Province	No commercial value

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 January 2005 HK\$
41. A plot of land situated to the east of Highway Bridge the back of Chengkeng Village Yantian District Shenzhen City Guangdong Province	No commercial value
42. A plot of land at Tan Village Industrial Zone 1st Road Chencun Town Shunde District Foshan City Guangdong Province	No commercial value
43. A plot of land at Nanbiasha section of Tanzhou Canal Tanzhou Village Chencun Town Shunde District Foshan City Guangdong Province	No commercial value
44. Two plots of land at Nizhou Village Shatian Town Dongguan City Guangdong Province	No commercial value
Sub-total:	No commercial value
Grand Total:	406,624,000

## VALUATION CERTIFICATE

## Group I – Property interests held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
<p>1. The Bucket Elevator Room on Ground Floor, Half of 1st Floor and one Ramped Driveway from Ground Floor to 1st Floor, one Hopper Room and one Shaft Area (formerly called the Bucket Elevator Shaft) on 2nd Floor, one Storage Bin on the side of the Bucket Elevator of the building from 3rd Floor upwards to the Roof of the building and the Roof of one Storage Bin on 12th Floor level, Safety Godown Industrial Building, No. 56 Ka Yip Street, Chai Wan, Hong Kong</p> <p>118/1510th shares of and in Chai Wan Inland Lot Nos. 112 and 115</p>	<p>The property comprises portion of the 1st floor of a 13-storey industrial building together with a bucket elevator room on the ground floor, a ramped driveway from ground floor to 1st floor, a hopper room and a bucket elevator shaft on the 2nd floor, a cement storage bin on the side of the bucket elevator of the building from 3rd floor upwards to the roof of the building and the roof of the storage bin on the 12th floor of the building. The building was completed in 1989.</p> <p>The saleable area of the property is approximately 1,478.91 sq.m. (15,919 sq.ft.), excluding the spaces of the bucket elevator room, ramped driveway, hopper room, the bucket elevator shaft, cement storage bin and the roof of the storage bin on the 12th floor. The property also comprises the right and privilege as tenants in common in equal shares with the owner of the Cement Pump Room on the ground floor of the building to use and enjoy 43 metres continuous length of the sea frontage of Chai Wan Inland Lot No. 112 and the right in common with Glorycourt Limited (“Glorycourt”) and Noblecourt Limited (“Noblecourt”) and/or such person or persons from time to time authorized by Glorycourt and/or Noblecourt and the owner of the remaining half of the 1st floor to use and enjoy portions of the external wall of the</p>	<p>The property is occupied by the Group for car parking, storage and industrial purposes.</p>	<p>HK\$13,000,000 (100.0% interest attributable to the Group: HK\$13,000,000)</p>

## Group I – Property interests held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
	<p>building and to install, affix maintain and operate thereon such machineries, elevators, chimneys, pipes and other fittings and the right in common with Glorycourt, Noblecourt and other person or persons claiming through under or in trust for Glorycourt or Noblecourt and the owner of the remaining half of the first floor to use all areas of Chai Wan Inland Lots Nos. 112 and 115 not covered by any building, all open areas and the sea-front areas therefore and all rights of access to the sea.</p> <p>The property is held under Conditions of Sale No. 11487 (as varied and/or modified by three Modification Letters Memorial Nos. 2304955, 3204921 and 3555371) and Conditions of Sale No. 11494 (as varied and/or modified by three Modification Letters Memorial Nos. 2304953, 3204920 and 3555370) each for a term of 75 years from 12 February 1981 and 27 March 1981 respectively renewable for a further term of 75 years. The current total Government rent payable for the subject lots is HK\$2,000 per annum.</p>		

*Notes:*

- (1) The registered owner of the property is Profit Success Development Limited (貴就發展有限公司), a wholly-owned subsidiary of the Company.
- (2) The property is subject to a legal charge dated 25 May 1995 to secure general banking facilities granted to Redland Concrete Limited in favour of Fortis Bank Asia HK (formerly known as Generale Belgian Bank).
- (3) The property is currently zoned for "Industrial" purpose under Chai Wan Outline Zoning Plan No. S/H20/16 dated 21 October 2004.

## Group I – Property interests held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
2. Portion of Ground Floor, Wah Tung Godown and portion of Yau Tong Marine Lot No. 70, (“Yau Tong Lot”) No. 4 Tung Yuen Street, Yau Tong, Kowloon  600/3150th shares of and in Yau Tong Marine Lot No. 70	<p>The property comprises portion of ground floor of a 7-storey godown completed in 1978.</p> <p>The saleable area of the property is approximately 1,235.32 sq.m. (13,297 sq.ft.).</p> <p>The property is held under Conditions of Sale No. 10873 for a term of 99 years less the last 3 days thereof from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is occupied by the Group as a driveway to the adjoining site and for storage and ancillary office uses.</p>	<p>HK\$11,000,000 (100.0% interest attributable to the Group: HK\$11,000,000)</p>

*Notes:*

- (1) The registered owner of the property is First Route Limited (銳致有限公司), a wholly-owned subsidiary of the Company.
- (2) The property is currently zoned for “Residential (Group E)” purpose under Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/15 dated 21 June 2002.

## Group I – Property interests held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
3. No. 6 Tung Yuen Street, Yau Tong, Kowloon  Yau Tong Marine Lot No. 68	The property comprises a batching plant erected on a site with a registered site area of approximately 2,293.76 sq.m. (24,690 sq.ft.). The plant was completed in about 1997.	The property is occupied by the Group for the purpose of concrete production.	HK\$66,000,000 (100.0% interest attributable to the Group; HK\$66,000,000)
	The property is held under Conditions of Sale No. 10752 for a term of 99 years less the last 3 days thereof from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

*Notes:*

- (1) The registered owner of the property is First Route Limited (銳致有限公司), a wholly-owned subsidiary of the Company.
- (2) The property is currently zoned for “Residential (Group E)” purpose under Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/15 dated 21 June 2002.

## Group I – Property interests held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
4. A batching plant situated at Tong Yan San Tsuen Road, Tong Yan San Tsuen, Yuen Long, New Territories	The property comprises a batching plant erected on four adjoining agricultural lots with a total site area of approximately 4,365.38 sq.m. (46,989 sq.ft.). The plant was completed in about 2001.	The property is occupied by the Group for the purpose of concrete production.	HK\$12,000,000 (100.0% interest attributable to the Group: HK\$12,000,000)
The Remaining Portions of Lots Nos. 1265, 1207 and 1842 and Section A of Lot No. 1208 in Demarcation District No. 121	Lots Nos. 1265, 1207 and 1208 of the property are held under Government leases for terms of 75 years renewed for 24 years less the last 3 days thereof from 1 July 1898 which have been statutorily extended to 30 June 2047. Lot No. 1842 is held under Tai Po New Grant No. 7575, but the document was lost and untraceable. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

*Notes:*

- (1) The registered owner of the property is Standard Wealth Investment Limited (大盈利投資有限公司), a wholly-owned subsidiary of the Company.
- (2) A short term waiver No. 2530 which allows the subject lots to be used for the purpose of concrete batching as against its original use as agricultural land was offered by the District Lands Office, Yuen Long, Lands Department to Standard Wealth Investment Limited (大盈利投資有限公司) on 12 November 2003. According to the said Short Term Waiver letter, the term of the waiver will be for a period of 6 months from 20 June 2001 and thereafter automatically renewed quarterly subject to a three-month's notice of termination in writing given by either Standard Wealth Investment Limited (大盈利投資有限公司) or the District Lands Office, Yuen Long, Lands Department. The total built-over area of the property shall not exceed 730 sq.m. with a maximum office area of 30 sq.m. at a height limit of 3 m. and a maximum concrete production plant building area of 700 sq.m. at a height limit of 25 m. with cement silos. The waiver fee as at 7 September 2004 payable to the government is HK\$444,450 per quarter.
- (3) The property is currently zoned for "Industrial (Group D)" purpose under Tong Yan San Tsuen Outline Zoning Plan No. S/YL-TYST/8 dated 11 June 2004.

## Group I – Property interests held and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
5. A storage situated at Ma Fung Ling Road, Tong Yan San Tsuen, Yuen Long, New Territories  The Remaining Portion of Lot No. 1390, Section A of Lot No. 1391, Lots Nos. 1393, 1394 and 1395 in Demarcation District No. 121	The property comprises five adjoining agricultural lots with a total site area of approximately 1,086.68 sq.m. (11,697 sq.ft.).  The property is held under various Government leases all for terms of 75 years renewed for 24 years less the last 3 days thereof from 1 July 1898 which have been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is occupied by the Group mainly for mixer truck parking and open storage purposes.	HK\$1,800,000 (100.0% interest attributable to the Group: HK\$1,800,000)

*Notes:*

- (1) The registered owner of the property is General Perfect Limited (金得旺有限公司), a wholly-owned subsidiary of the Company.
- (2) The property is currently zoned for “Residential (Group B) 1” purpose under Tong Yan San Tsuan Outline Zoning Plan No. S/YL-TYST/8 dated 11 June 2004.



## Group II – Property interests rented by the Group in Hong Kong

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
6. The Remaining Portion of Lot No. 1263 in Demarcation District No. 121, Tong Yan San Tsuen Road, Yuen Long, New Territories	<p>The property comprises an agricultural lot with a registered site area of approximately 1,268.12 sq.m. (13,650 sq.ft.) on which various single storey temporary structures are erected.</p> <p>The total floor area of the temporary structures is approximately 185.80 sq.m. (2,000 sq.ft.). The property is currently occupied by the Group as open parking area and workshop for vehicle maintenance.</p> <p>The property is rented by the Group for a term of 3 years from 1 March 2004 to 28 February 2007 at a current rent of HK\$18,000 per month exclusive of rates and government rent.</p>	No commercial value

*Notes:*

- (1) A short term waiver No. 2556 which allows the subject lot to be used for the purpose of concrete batching was granted by the District Lands Office, Yuen Long, Lands Department to Tang Sui Hak Tso and Tang Chu-sau as the manager on 12 November 2003. According to the said Short Term Waiver letter, the term of the waiver will be for a period of 6 months from 20 June 2001 and thereafter automatically renewed quarterly subject to a three-month's notice of termination in writing given by either Tang Sui Hak Tso and Tang Chu-sau as manager or the District Lands Office, Yuen Long, Lands Department. The total built-over area of the property shall not exceed 300 sq.m. with a maximum workshop area of 300 sq.m. at a height limit of 4 m.. The waiver fee as at 17 September 2004 payable to the government is HK\$126,810 per quarter.
- (2) The property is currently zoned for "Industrial (Group D)" purpose under Tong Yan San Tsuen Outline Zoning Plan No. S/YL-TYST/8 dated 11 June 2004.

## Group II – Property interests rented by the Group in Hong Kong

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
7. Lot No. 2899 in Demarcation District No. 111, Pat Heung, Yuen Long, New Territories	<p>The property comprises an agricultural lot with a registered site area of approximately 1,858.05 sq.m. (20,000 sq.ft.).</p> <p>The property is currently occupied by the Group for open parking purpose.</p> <p>The property is rented by the Group at a monthly rent of HK\$10,000 per month inclusive of government rent but exclusive of rates.</p>	No commercial value

*Note:* The property is currently zoned for “Residential (Group D)” purpose under Pat Heung Outline Zoning Plan No. S/YL-PH/8 dated 12 November 2004.

8. Berth No. TM11 at Tuen Mun Public Cargo Working Area, Area 16, Tuen Mun, New Territories	<p>The property comprises a vessel berthing space at the waterfront of Tuen Mun Public Cargo Working Area.</p> <p>The property provides a berthing space of approximately 46 m. long and 40 m. wide and is currently occupied by the Group for the purpose of loading/unloading of sand, cement and aggregates.</p> <p>The property is rented by the Group for a term of 7 months from 6 January 2005 to 31 July 2005 at a rent of HK\$98,000 per month inclusive of outgoings relating to the use of the berthing space.</p>	No commercial value
---	---	---------------------

*Note:* The property is currently zoned for “Other Specified Uses (Cargo Handling Area)” purpose under Tuen Mun Outline Zoning Plan No. S/TM/20 dated 21 January 2005.

## Group II – Property interests rented by the Group in Hong Kong

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
9. Factories A and B on 7th Floor, Block 3, Tai Ping Industrial Centre, 53 Ting Kok Road, Tai Po, New Territories	<p>The property comprises all the workshop units on the 7th floor of a 16-storey plus basement industrial building completed in 1983.</p> <p>The total gross floor area of the property is approximately 1,266.63 sq.m. (13,634 sq.ft.). The property is currently occupied by the Group as testing laboratories for construction materials with ancillary office.</p> <p>The property is rented by the Group for a term of 3 years from 1 February 2004 to 31 January 2007 at a rent of HK\$60,000 per month exclusive of rates and management fee.</p>	No commercial value
<p><i>Note:</i> The property is currently zoned for “Other Specified Uses (Business)” purpose under Tai Po Outline Zoning Plan No. S/TP/18 dated 30 July 2004.</p>		
10. 8th Floor, Kaiseng Commercial Centre, 4-6 Hankow Road, Tsimshatsui, Kowloon	<p>The property comprises the whole of the 8th floor of a 17-storey plus basement commercial building completed in 1985.</p> <p>The gross floor area of the property is approximately 384.62 sq.m. (4,140 sq.ft.). The property is currently occupied by the Group as office use.</p> <p>The property is rented by the Group for a term of 2 years from 1 March 2004 to 28 February 2006 at a rent of HK\$41,400 per month exclusive of rates and air-conditioning charges/management fees.</p>	No commercial value
<p><i>Note:</i> The property is currently zoned for “Commercial” purpose under Tsim Sha Tsui Outline Zoning Plan No. S/K1/19 dated 23 July 2004.</p>		

## Group II – Property interests rented by the Group in Hong Kong

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
11. 15th Floor, Kaiseng Commercial Centre, 4-6 Hankow Road, Tsimshatsui, Kowloon	<p>The property comprises the whole of the 15th floor of a 17-storey plus basement commercial building completed in 1985.</p> <p>The gross floor area of the property is approximately 384.62 sq.m. (4,140 sq.ft.). The property is currently occupied by the Group as office use.</p> <p>The property is rented by the Group for a term of 2 years from 1 March 2004 to 28 February 2006 at a rent of HK\$41,400 per month exclusive of rates and air-conditioning charges/management fees.</p>	No commercial value

*Note:* The property is currently zoned for “Commercial” purpose under Tsim Sha Tsui Outline Zoning Plan No. S/K1/16 dated 23 July 2004.

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
12. Unit 401 Block 22 Bibo Garden Yanhe Road Luohu District Shenzhen City Guangdong Province	<p>The property comprises a residential unit on the 4th floor of a 6-storey residential building completed in 1989.</p> <p>The property has an apportioned site area and gross floor area of approximately 121.69 sq.m. (1,310 sq.ft.) and 153.11 sq.m. (1,648 sq.ft.) respectively.</p> <p>The land use right of the property has been granted for a term of 50 years from 28 October 1985 to 27 October 2035 for residential use.</p>	The property is currently vacant.	HK\$450,000 (100.0% interest attributable to the Group: HK\$450,000)

*Notes:*

- (1) According to Real Estate Title Certificate No. 0014559 issued by the People's Government of Shenzhen (深圳市人民政府) on 23 March 1992, the property with gross floor area of 153.11 sq.m. was granted to Redland Concrete Limited (中港混凝土有限公司), a wholly-owned subsidiary of the Company, for a term of 50 years from 28 October 1985 to 27 October 2035 for residential use. The total transfer price was RMB535,880.
- (2) According to the PRC legal opinion:
  - (i) Redland Concrete Limited (中港混凝土有限公司) has legally obtained the building ownership of the property; and
  - (ii) Redland Concrete Limited (中港混凝土有限公司) is entitled to freely transfer, lease or mortgage the building ownership of the property.
- (3) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:
  - (i) Redland Concrete Limited (中港混凝土有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interest in its existing state and condition for residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

- (ii) all land premium and costs of urban utilities have been settled in full;
  - (iii) the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
  - (iv) the property interest can be disposed of freely to third parties.
- (4) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Title Certificate	Yes
-------------------------------	-----

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
13. A cement plant at Eastern Plot of Litang Town, Binyang County, Guangxi ZAR	<p>The property comprises 142 buildings and structures erected upon 6 plots of irregular-shaped site having a total site area of approximately 1,564,769.73 sq.m. (16,843,181 sq.ft.).</p> <p>The buildings and structure were completed in different phases from 1984 to 1995.</p> <p>The property has a total gross floor area of approximately 87,792.35 sq.m. (944,997 sq.ft.), excluding the area of those ancillary structures.</p> <p>The land use right of the property has been granted for a term due to expire on 23 January 2052 mainly for production plant, quarry and highway.</p>	The property is currently occupied by the Group as production plant, quarry, highway and other ancillary uses.	HK\$142,400,000 (90.4% interest attributable to the Group: HK\$128,730,000)

## Notes:

- (1) According to 6 Certificates for the Use of State-owned Land issued by Binyang County Land Administration Bureau (賓陽縣土地管理局) all on 24 January 2002, the land use rights of the property comprising a total site area of 1,564,769.73 sq.m. were granted to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司), a 90.4% owned subsidiary of the Company, for a term due to expire on 23 January 2052. The details are summarised as follows:

No.	Certificate no.	Location	Use of land	Site area (sq.m.)
1.	(2002) 08	No. 268 Yong An Dong Road, Litang Town, Binyang County	Production plant	481,769.33
2.	(2002) 09	No. 268 Yong An Dong Road, Litang Town, Binyang County	Lime stone quarry	813,180.00
3.	(2002) 10	Eastern Plot of Litang Town, Binyang County	Sand stone quarry	154,346.67

## APPENDIX IV

## PROPERTY VALUATION

No.	Certificate no.	Location	Use of land	Site area (sq.m.)
4.	(2002) 11	Eastern Plot of Litang Town, Binyang County	Highway for sand stone quarry	59,849.40
5.	(2002) 12	Eastern Plot of Litang Town, Binyang County	Sand stone crushing	20,986.67
6.	(2002) 13	Lincunshandi, Chao Chang Village, Litang Town, Binyang County	Highway for quarry	34,637.66
Total:				1,564,769.73

- (2) According to 6 Grant Contracts for the Use of State-owned Land issued by Binyang County Land Administration Bureau (賓陽縣土地管理局) (Party A) on 23 January 2002, the land use rights of the property comprising a total site area of 1,564,769.73 sq.m. were granted to Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) (Party B), a 67.9% owned subsidiary of the Company, for a term of 50 years due to expire on 23 January 2052. The details are summarized as follows:

Grant contract no.	Use of land	Site area (sq.m.)	Land premium (RMB)
(2002) 35	Transportation/Highway	34,637.66	17,318.83
(2002) 36	Transportation/Road	59,849.40	29,923.34
(2002) 37	Transportation/Road	481,769.33	240,884.67
(2002) 38	Plant Room Construction	20,986.67	10,493.34
(2002) 39	Production Plant	154,346.67	77,173.34
(2002) 40	Raw Material/Quarry	813,180.00	406,590.00
Total:		1,564,769.73	

*Notes:*

- Upon full settlement of the land premium, Party B is entitled to transfer the land use rights of the property to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) .
- According to 6 official receipts issued by Party A on 23 January 2002, Party B has settled the land premium in full. Therefore, Party B is entitled to transfer the land use rights of the property to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) .
- According to Building Ownership Certificate No. 20020059 issued by Binyang County Real Estate Administration Bureau (賓陽縣房屋管理局) on 22 January 2002, the building ownership of the property comprising 189 buildings and structures having a total gross floor area of 97,905.77 sq.m. are held by Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) .

*Note:* According to the information provided to us and our site inspection, we note some buildings had been demolished and only 142 buildings with a total gross floor area of 87,792.35 sq.m. are being occupied. As per the instruction by the Group, we have valued the property with a total gross floor area of 87,792.35 sq.m..



(4) According to Mortgage Agreement No. (2002) 069001 between Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) (Party A) and Industrial and Commercial Bank of China, Guangxi Branch Sales Department (中國工商銀行廣西壯族自治區分行營業部) (Party B) and a Third Party Rights Certificate (他項權利登記證) No. 20020028 issued by Binyang County Land and Building Administration Bureau (賓陽縣黎塘房地產管理局), portions of the property with a total gross floor area of 95,583.09 sq.m. are certified to be subject to a mortgage in favour of Party B until the full settlement of the principal amount and interest.

(5) According to Business Licence No. 003430 dated 2 January 2003, Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) was established as a Sino-foreign equity joint venture enterprise with a registered capital of RMB200 million and has a valid operation period from 24 December 2001 to 24 December 2051.

As advised, the profit sharing is in accordance with the ratio of capital contribution in the registered capital.

(6) According to the PRC legal opinion:

(i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) has legally obtained the land use rights and building ownership of the property;

(ii) the property comprising a total gross floor area of 95,583.09 sq.m. is subject to a mortgage in favour of Industrial and Commercial Bank of China, Guangxi Branch Sales Department; and

(iii) written permission from the mortgagee is required in the event Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) decides to remortgage, lease, transfer or dispose of the land use rights together with the building ownership of the property, which is subject to the mortgage referred to in (ii) above.

(7) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:

(i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interest in its existing state and condition for the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;

(ii) all land premium and costs of urban utilities have been settled in full;

(iii) the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and

(iv) the property can be disposed of freely to third parties.

(8) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Mortgage Agreement	Yes
Business Licence	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
14. A cement plant at Fulusha Management District Shatian Town Dongguan City Guangdong Province	<p>The property comprises 31 buildings and structures erected on 2 plots of contiguous industrial land with a total site area of approximately 173,466 sq.m. (1,867,188 sq.ft.). The buildings and structures were completed in 1996 and 1997 respectively.</p> <p>The property comprises a total gross floor area of approximately 38,343.10 sq.m. (412,725 sq.ft.) excluding the area of those ancillary structures.</p> <p>The land use rights of the property have been granted for terms of 50 years due to expire on 25 August 2046 and December 2043 for industrial and ancillary facilities uses.</p>	The property is currently owner-occupied for cement production purpose.	<p>HK\$150,000,000 (75.0% interest attributable to the Group: HK\$112,500,000)</p>

*Notes:*

(1) According to 2 Certificates for the Use of State-owned Land:

		Certificate no. (1997) 81	Certificate no. (1994) 218
(i)	Location	Fulusha Management District, Shatian Town	Fulusha Management District, Shatian Town
(ii)	Owner	Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司)	Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司)
(iii)	Site area	6,962 sq.m.	166,504 sq.m.
(iv)	Land use term	From 26 August 1996 to 25 August 2046	Due to expire in December 2043
(v)	Use	Industrial and ancillary facilities	Industrial

- (2) According to 31 buildings ownership certificates, the building ownership of the property comprising 31 buildings with a total gross floor area of 38,343.10 sq.m. has been granted to Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司), a 75.0% owned subsidiary of the Company for a term of 50 years with details as follows:

Certificate no.	No. of storey	Use	Gross floor area (sq.m.)
C1436241	4	Office	1,917.90
C1436242	5	Quarter	2,646.70
C1436245	4	Quarter	1,638.60
C1436243	5	Quarter	2,641.00
C1436244	2	Canteen	802.00
C1436267	1	Office	28.60
C1436275	2	Main Plant	1,989.40
C1436277	1	Fire Pump Room	122.40
C1436261	1	High Pressure Pump Room	345.00
C1436263	2	High Pressure Power Supply Room	533.40
C1436264	1	#1 Transformer Room	72.70
C1436276	1	Oil Treatment Room	42.60
C1436273	1	Oil Pump Room	44.00
C1436278	1	Oil Pump Room	119.10
C1436268	1	Crushing Room	235.50
C1436280	1	Circulation Pump Room	69.40
C1436281	1	High Pressure Machine Room	105.00
C1436282	1	Transformer Room	69.80
C1436284	1	Circulation Pump Room	99.00
C1436246	1	Warehouse	1,945.00
C1436249	16	Cement Mill	8,680.00
C1436260	1	Material Storage Room	1,328.00
C1436247	2	Testing Room	428.00
C1436262	1	Machine Room	515.50
C1436266	2	Office	57.20
C1436274	1	Oil Storage Room	101.70
C1436250	1	Cement Storage Room	842.00
C1436279	1	Porter's Lodge	25.60
C1436265	1	Gypsum Storage Room	600.00
C1436269	1	#1 Material Storage Room	5,149.00
C1436270	1	#2 Material Storage Room	5,149.00
Total:			38,343.10

According to our inspection, we note that there are some structures under construction and we have not been provided the gross floor area and the Real Estate Title Certificate of these structures. In the course of our valuation, we have not assigned value to these structures.

- (3) According to Business License No. 002781, Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司), was established with a registered capital of HK\$149,000,000 with a valid operation period from 23 May 1994 to 22 May 2024.

- (4) According to the PRC legal opinion:
- (i) Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司) has legally obtained the land use rights and building ownership of the property;
  - (ii) The property comprising a total site area of 166,504 sq.m. and a total gross floor area of 38,362 sq.m. is subject to a mortgage in favour of Construction Bank of China Dongguan Branch; and
  - (iii) Written permission from the mortgagee is required in the event. Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司) decides to remortgage, lease, transfer or dispose of the land use rights together with the building ownership of the property, which is subject to the mortgage referred to in (ii) above.
- (5) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:
- (i) Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interest in its existing state and condition for the residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) all land premium and costs of urban utilities have been settled in full;
  - (iii) the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
  - (iv) the property interest can be disposed of freely to third parties.
- (6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Red-line Drawing (site plan)	Yes
Mortgage Agreement	Yes
Business Licence	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
15. Two plots of land at Legou Zuoye District, Qinzhou Harbour, Qinzhou City, Guangxi ZAR	The property comprises 2 plots of contiguous land. The total site area is 100,766.96 sq.m. (1,084,656 sq.ft.). The property is planned to be developed into a 50,000 tonnes pier.  The land use rights of the property has been granted for a term due to expire on 18 December 2048 for storage use.	The property is currently leveled site.	HK\$17,300,000 (85.8% interest attributable to the Group: HK\$14,843,000)

*Notes:*

- (1) According to 2 Certificate for the Use of State-owned Land:

		Certificate no. (2003) DO25	Certificate no. (2003) DO24
(i)	Location	: Legou Zuoye District, Qinzhou City	Legou Zuoye District, Qinzhou City
(ii)	Owner	: Guangxi China Resources Hongshuihe Pier Store Limited (廣西華潤紅水河碼頭倉儲有限公司)	Guangxi China Resources Hongshuihe Pier Store Limited (廣西華潤紅水河碼頭倉儲有限公司)
(iii)	Site area	: 53,333.60 sq.m.	47,433.36 sq.m.
(iv)	Land use term	: Due to expire on 18 December 2048	Due to expire on 18 December 2048
(v)	Use	: Storage	Storage

- (2) According to an approval document (2002) 10 dated 4 September 2002, the project has been approved with a construction scale of 50,000 tonnes pier.
- (3) According to Business License No. 4507001001419, Guangxi China Resources Hongshuihe Pier Store Limited (廣西華潤紅水河碼頭倉儲有限公司), a 85.8% owned subsidiary of the Company, was established with a registered capital of RMB2,000,000 with a valid operation period from 24 July 2002 to 24 July 2052.

- (4) According to the PRC legal opinion:
- (i) Guangxi China Resources Hongshuihe Pier Store Limited (廣西華潤紅水河碼頭倉儲有限公司) has legally obtained the land use rights of the property;
  - (ii) The property comprising a total site area of 100,766.96 sq.m. is subject to a mortgage in favour of Industrial and Commercial Bank of China Guangxi ZAR Branch Sales Department; and
  - (iii) Written permission from the mortgagee is required in the event Guangxi China Resources Hongshuihe Pier Store Limited (廣西華潤紅水河碼頭倉儲有限公司) decides to remortgage, lease, transfer or dispose of the land use rights together with the building ownership of the property, which is subject to the mortgage referred to in (ii) above.
- (5) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:
- (i) Guangxi China Resources Hongshuihe Pier Store Limited (廣西華潤紅水河碼頭倉儲有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interest in its existing state and condition for residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) all land premium and costs of urban utilities have been settled in full;
  - (iii) the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
  - (iv) the property interest can be disposed of freely to third parties.
- (6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Red-line Drawing (site plan)	Yes
Mortgage Agreement	Yes
Business Licence	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
16. A plot of land at Makeng, Shenwan Town, Zhongshan City, Guangdong Province	<p>The property comprises a plot of irregular-shaped land having a site area of approximately 3,277.09 sq.m. (35,275 sq.ft.).</p> <p>The property is planned to be developed as a cement plant interchange station with a berth length of 50 m..</p> <p>The land use right of the property has been granted for a term of 50 years to be expired on 24 July 2048 for industrial use.</p>	The property is currently occupied by some ancillary structures.	<p>HK\$400,000 (90.4% interests attributable to the Group: HK\$362,000)</p>

*Notes:*

(1) According to Certificate for the Use of State-owned Land No. (2003) 320027, issued by Zhongshan Land Resources Administration Bureau (中山市國土資源局) on 17 January 2003, the land use right of the property has been granted to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司), a 90.4% owned subsidiary of the Company. The details are summarised as follows:

(i) Location : Mekeng, Shenwan Town, Zhongshan City

(ii) Use of land : Industrial

(iii) Land use term : 50 years to be expired on 24 July 2048

(iv) Site area : Approximately 3,277.09 sq.m.

(2) According to Land Use Rights Transfer Contract entered into between Zhongshan Shenwan Real Estate Development Limited (中山市神灣鎮房地產開發公司) (Party A) and Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) (Party B) in February 2002, Party A has agreed to transfer the land use rights of the property to Party B. The details are summarised as follows:

(i) Location : Makeng, Shenwan Town, Zhongshan City

(ii) Site area : Approximately 5 Mu (3,333 sq.m.)

(iii) Land premium : Approximately RMB397,500

- (iv) Payment schedule :
1. Deposit of RMB100,000 payable by Party B within 7 days of the agreement.
  2. Payment of RMB100,000 payable by Party B before 30 June 2002.
  3. Payment of the remaining balance of RMB197,500 before 31 December 2002.

- (3) According to Business License No. 003430 dated 2 January 2003, Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) was established as a Sino-foreign equity joint venture enterprise with a registered capital of RMB200 million and has a valid operation period from 24 December 2001 to 24 December 2051.

As advised, the profit sharing is in accordance with the ratio of capital contribution in the registered capital.

- (4) According to the PRC legal opinion:

- (i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) has legally obtained the land use rights of the property; and
- (ii) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) is entitled to freely transfer, lease or mortgage the land use rights of the property.

- (5) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:

- (i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interest in its existing state and condition for residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium and costs of urban utilities have been settled in full;
- (iii) the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
- (vi) the property interest can be disposed of freely to third parties.

- (6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Land Use Rights Transfer Contract	Yes
Business Licence	Yes



## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
17. An industrial site at Feng Huang Shan, Qintang Village, Eastern Plot of Litang Town, Binyang County Guangxi ZAR	The property comprises a plot of land having a total site area of approximately 69,885 hectares (698,849.75 sq.m.).  The land use right of the property has been granted for a term of 50 years to be expired on 15 April 2053 as industrial use.	The property is currently a vacant land for industrial use.	HK\$17,800,000 (90.4% interests attributable to the Group: HK\$16,091,000)

## Notes:

- (1) According to 6 Certificates for the Use of State-owned Land all issued by the Binyang County Land Resources Administration Bureau (賓陽縣國土資源局), the land use right of the property comprising a total site area of 698,849.75 sq.m. has been granted to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司), a 90.4% owned subsidiary of the Company, with details as follows:

Certificate	Land use	Expiry date of land use term	Site area (sq.m.)
(2003)534	Industrial	15 April 2053	610.73
(2003)535	Industrial	15 April 2053	712.01
(2003)536	Industrial	15 April 2053	2,026.66
(2003)537	Industrial	15 April 2053	683,551.71
(2003)538	Industrial	15 April 2053	11,409.74
(2003)539	Industrial	15 April 2053	538.90
Total:			698,849.75

- (2) According to Grant Contract for the use of State-owned Land No. (2003) 285, the property comprising a total site area of 698,849.75 sq.m. has been granted for a term of 50 years from the date of delivery of possession of the property to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) for a consideration of RMB11,251,300.

- (3) According to Business Licence No. 003430 dated 2 January 2003, Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) was established as a Sino-foreign equity joint venture enterprise with a registered capital of RMB200 million and has a valid operation period from 24 December 2001 to 24 December 2051.

As advised, the profit sharing is in accordance with the ratio of capital contribution in the registered capital.

- (4) According to the PRC legal opinion:
- (i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) has legally obtained the land use rights of the property;
  - (ii) The property with a total site area of 698,849.75 sq.m. is subject to a mortgage in favour of Bank of China Guigang Branch; and
  - (iii) Written permission from the mortgagee is required in the event Guangxi China Resources Hongshuihe Cement Co., Ltd (廣西華潤紅水河水泥有限公司) decides to remortgage, lease, transfer or dispose of the land use rights together with the building ownership of the property, which is subject to the mortgage referred to in (ii) above.
- (5) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:
- (i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interests in its existing state and condition for residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) assuming the full amount of the consideration for the land grant, including all land premium, and costs of urban utilities have been settled in full;
  - (iii) assuming the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
  - (iv) the property interest can be disposed of freely to third parties.
- (6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:
- |  |     |
|--|-----|
| Certificate for the Use of State-owned Land    | Yes |
| Grant Contract for the Use of State-owned Land | Yes |
| Mortgage Agreement                             | Yes |
| Business Licence                               | Yes |

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
18. Unit 501, Block 13, Haiwan Garden, Shi Hau Xi Road, Zhuhai City, Guangdong Province	The property comprises a residential unit on the 5th floor of a 16-storey residential building completed in 1990's.  The property has a gross floor area of approximately 100.50 sq.m. (1,082 sq.ft.).	The property is currently vacant.	No commercial value

*Notes:*

- (1) Based on the PRC legal opinion, Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司), a 90.4% owned subsidiary of the Company, has yet to obtain the land use rights and building ownership of the property, we have therefore not assigned value to the property.
- (2) According to a debt compensation agreement (資產抵債協議書) dated 13 December 1998, 珠海經濟特區震宇有限公司 (Zhuhai SEZ Zhenyu Limited) has agreed to transfer the building ownership of the property to Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) at a consideration of RMB504,000. The property interest was purportedly transferred to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司).
- (3) According to Business License No. 003430 dated 2 January 2003, Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) was established as a Sino-foreign equity joint venture enterprise with a registered capital of RMB200 million and has a valid operation period from 24 December 2001 to 24 December 2051.

As advised, the profit sharing is in accordance with the ratio of capital contribution in the registered capital.

- (4) According to the PRC legal opinion:
  - (i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) has yet to obtain the building ownership of the property; and
  - (ii) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) cannot freely transfer, lease or mortgage the building ownership of the property.
- (5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Title Certificate	No
Debt Compensation Agreement	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
19. Unit 101 of Block 6, Julong Court, Shijie Garden, West of Shennan Road, Nanshan District, Shenzhen City, Guangdong Province	<p>The property comprises a residential unit on level 1 of a 12-storey residential building completed in the 1993.</p> <p>The property has a gross floor area of approximately 194.83 sq.m. (2,097 sq.ft.).</p> <p>The land use right of the property has been granted for a term of 70 years from 28 April 1993 to 27 April 2063 for residential use.</p>	The property is currently occupied as staff quarters.	No commercial value

*Notes:*

- (1) Based on the PRC legal opinion, Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司), a 90.4% owned subsidiary of the Company, has yet to obtain the land use rights and building ownership of the property, we have therefore not assigned value to the property.
- (2) According to Sale and Purchase Agreement No. 97005433 dated 22 December 1999, 深圳信託房地產開發有限公司 (Shenzhen Trust Real Estate Development Limited) has agreed to transfer the building ownership of the property to Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) at a consideration of RMB1,265,304. The property was purportedly transferred to Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司).
- (3) According to Business License No. 003430 dated 2 January 2003, Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) was established as a Sino-foreign equity joint venture enterprise with a registered capital of RMB200 million and has a valid operation period from 24 December 2001 to 24 December 2051.

As advised, the profit sharing is in accordance with the ratio of capital contribution in the registered capital.

- (4) According to the PRC legal opinion:
  - (i) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) has yet to obtain the building ownership of the property; and
  - (ii) Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) cannot freely transfer, lease or mortgage the building ownership of the property.
- (5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Title Certificate	No
Sale and Purchase Agreement	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
20. A plot of land at Daling Village, Qintang District, Guigang City, Guangxi ZAR	<p>The property comprises a plot of land having a site area of approximately 36.66 hectares (36,660.20 sq.m.).</p> <p>The property is planned to be developed into a 5,000 tonnes cement production plant.</p>	The property is currently under construction.	No commercial value

*Notes:*

- (1) Based on the PRC legal opinion, China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司), a wholly-owned subsidiary of the Company, has yet to obtain the land use rights of the property, we have therefore not assigned value to the property.
- (2) According to Approval Document No. (2005) 1 issued by Peoples' Government of Guangxi ZAR (廣西壯族自治區人民政府) on 26 January 2005, China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) has been permitted to develop on a plot of land with a site area of approximately 36.66 hectares for construction use.
- (3) According to Planning Permit for Construction Use of Land No. 04015 dated 31 March 2004, the property has been approved for a development on a plot of land with site area of 36.66 hectares for cement production purposes.
- (4) According to Business License No. 003538, China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) was established with a registered capital of USD27,706,000 and has a valid operation period from 12 January 2004 to 30 April 2005.
- (5) According to the PRC legal opinion:
  - (i) China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) has yet to obtain the land use rights of the property; and
  - (ii) China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) cannot freely transfer, lease or mortgage the land use rights of the property.

- (6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	No
Approval Document	Yes
Planning Permit for Construction Use of Land	Yes
Business License	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
21. Three plots of land at Danzhu Town Pingnan County Guangxi ZAR	<p>The property comprises three plots of land having a total site area of approximately 4,117,095.09 sq.m. (44,316,412 sq.ft.).</p> <p>The property is planned to be developed into a 4,000 tonnes cement plant and pier.</p> <p>The land use right of the property has been granted for terms of 50 years with the lastest expiring on 30 October 2054 for industrial and mining uses.</p>	<p>Portion of the cement production line comprising various structures were completed in 2004 and put into operation.</p>	<p>HK\$39,640,000 (73.5% interests attributable to the Group: HK\$29,135,000)</p>

## Notes:

- (1) According to 3 Certificates for the Use of State-owned Land issued by the Pingnan County Land Resources Administrative Bureau (平南縣國土資源局), the land use right of the property comprising a total site area of 4,117,095.09 sq.m. has been granted to Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司), a 73.5% owned subsidiary of the Company with details as follows:

Certificate	Land use	Expiry date of land use term	Site area (sq.m.)
(2004) 260015021-1	Industrial	23 May 2054	432,960.00
(2004) 260015029	Mining	30 October 2054	3,044,131.89
(2004) 260015030	Mining	30 October 2054	640,003.20
		Total:	<u>4,117,095.09</u>

- (2) According to Planning Permit for Construction Work No. 2003015 dated on 28 September 2003, the property is permitted to be developed into a 4,000 tonnes plant and pier.
- (3) According to Business License No. 003524, Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) was established as a Sino-foreign equity joint venture company with a registered capital of RMB217,700,000 and has a valid operation period from 4 November 2003 to 4 November 2053.

As advised, the profit sharing is in accordance with the ratio of capital contribution in the registered capital.

- (4) According to the PRC legal opinion:
- (i) Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) has legally obtained the land use rights of the property; and
  - (ii) Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) is entitled to freely transfer, lease or mortgage the land use rights of the property.
- (5) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:
- (i) Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interests in its existing state and condition for residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) assuming the full amount of the consideration for the land grant, including all land premium, and costs of urban utilities have been settled in full;
  - (iii) assuming the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
  - (iv) the property interest can be disposed of freely to third parties.
- (6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Work	Yes
Business License	Yes



## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
22. Unit 201 and Unit 202 of Block 1 and Unit 203 of Block 2, Building 2, Zhengdi Garden, Beihu South Road, Nanning City, Guangxi ZAR	<p>The property comprises three residential units on level 3 of an 8-storey composite building completed in 1997.</p> <p>The property has a total gross floor area of 502.09 sq.m. (5,404 sq.ft.).</p> <p>The land use right of the property has been granted for an unspecified term and unspecified use.</p>	The property is currently occupied by the Group.	<p>HK\$1,050,000 (67.9% interests attributable to the Group: HK\$713,000)</p>

*Notes:*

- (1) According to 3 Building Ownership Certificates, the building ownership of the property is held by Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司), a 67.9% owned subsidiary of the Company. Details of these certificates are summarized as follows:

No.	Certificate no.	Unit	Gross floor area (sq.m.)
1.	No. 01144248	Unit 201 of Block 1, Building 2	162.20
2.	No. 01144246	Unit 202 of Block 1, Building 2	162.20
3.	No. 01144247	Unit 203 of Block 2, Building 2	177.69
Total:			<u>502.09</u>

- (2) According to Business Licence No. 4500001000779 dated 3 March 2005, Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) was established from 22 October 1996. Its registered capital is RMB324,507,300.
- (3) According to the PRC legal opinion:
- (i) Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) has legally obtained the building ownership of the property; and
- (ii) Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) is entitled to freely transfer, lease or mortgage the building ownership of the property.

- (4) Based on the PRC legal opinion and the information provided by the Group, we have prepared our valuation on the following basis:
- (i) Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interests in its existing state and condition for residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) assuming the full amount of the consideration for the land grant, including all land premium, and costs of urban utilities have been settled in full;
  - (iii) assuming the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
  - (iv) the property interest can be disposed of freely to third parties.
- (5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Building Ownership Certificate	Yes
Business License	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
23. Unit 206, Block 13, Changmao Garden, No. 39 Nanhang Road, Haikou City Hainan Province	<p>The property comprises a residential unit on level 3 of a 9-storey building completed in 1990s.</p> <p>The property has a gross floor area of 92.15 sq.m. (992 sq.ft.).</p> <p>The land use right of the property has been granted for an unspecified term for residential use.</p>	The property is currently occupied by the Group.	No commercial value

*Notes:*

(1) Based on the PRC legal opinion, Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司), a 67.9% owned subsidiary of the Company, has yet to obtain the building ownership of the property. We have therefore not assigned value to this property.

(2) According to Real Estate Title Certificate No.HK008457, the property comprising a gross floor area of 92.15 sq.m. was held by Wang Biao (王彪) for residential use.

According to a letter dated 20 August 2004, Wang Biao (王彪) is a trustee, who was holding the property on behalf of Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司).

(3) According to Business Licence No. 4500001000779 dated 3 March 2005, Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) was established from 22 October 1996. Its registered capital is RMB324,507,300.

(4) According to the PRC legal opinion:

(i) the registered owner of the property is Wang Biao (王彪);

(ii) Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) has yet to obtain the building ownership of the property; and

(iii) Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) cannot freely transfer, lease or mortgage the building ownership of the property.

- (5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Title Certificate (in name of trustee)	Yes
Business License	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
24. Unit 502, Type A Residential Building, Mianqianpo Village, Longkun South Road, Haikou City, Hainan Province	<p>The property comprises a residential unit on level 5 of an 8-storey building completed in 1990s.</p> <p>The property has a gross floor area of 142.71 sq.m. (1,536 sq.ft.)</p> <p>The land use right of the property has been granted for an unspecified term for residential use.</p>	The property is currently occupied by the Group.	No commercial value

*Notes:*

(1) Based on the PRC legal opinion, Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司), a 67.9% owned subsidiary of the Company, has yet to obtain the building ownership of the property. We have therefore not assigned value to this property.

(2) According to Real Estate Title Certificate No.HK012877, the property comprising a gross floor area of 142.71 sq.m. was held by Wang Biao (王彪) for residential use.

According to a letter dated 18 April 2004, Wang Biao (王彪) is a trustee, who was holding the property on behalf of Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司).

(3) According to Business Licence No. 4500001000779 dated 3 March 2005, Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) was established from 22 October 1996. Its registered capital is RMB324,507,300.

(4) According to the PRC legal opinion:

(i) the registered owner of the property is Wang Biao (王彪);

(ii) Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) has yet to obtain the building ownership of the property; and

(iii) Guangxi Hongshuihe Cement Joint Stock Company Limited (廣西紅水河水泥股份有限公司) cannot freely transfer, lease or mortgage the building ownership of the property.

- (5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Title Certificate (in name of trustee)	Yes
Business License	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
25. A cement plant at Suixi County, Zhanjiang City, Guangdong Province	<p>The property comprises a cement plant erected on a plot of land with a total site area of 94,267.14 sq.m. (1,014,691 sq.ft.) completed between 1980 and 1995.</p> <p>The property has a gross floor area of approximately 44,230.36 sq.m. (476,096 sq.ft.).</p>	The property is currently occupied as by the Group as production plant.	No commercial value

*Notes:*

- (1) Based on the PRC legal opinion, Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (湛江華潤紅水河水泥有限公司), a 63.3% owned subsidiary of the Company has yet to obtain the land use rights and building ownership of the property, we have therefore not assigned value to the property.
- (2) According to an Auction Confirmation Letter of Zhangjiang Great Wall Auction Co., Ltd. (湛江市長城拍賣有限公司拍賣成交確認書) dated 8 December 2004, Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (湛江華潤紅水河水泥有限公司) has obtained a parcel of assets from Guangdong Suixi Cement Plant (廣東省遂溪縣水泥廠) by auction. The parcel of assets include the property with a site area of 94,267.14 sq.m. and a gross floor area of 44,230.36 sq.m., plant and machineries, intangible assets, etc.. The total consideration for such transaction was RMB16,800,000.
- (3) According to Business License No. 001279 dated 30 December, 2004, Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (湛江華潤紅水河水泥有限公司) was established as a Sino-foreign equity joint venture enterprise with a registered capital of HK\$22,000,000 and has a valid operation period from 3 March 2003 to 27 February 2013.

As advised, the profit sharing is in accordance with the ratio of capital contribution in registered capital.

- (4) According to the PRC legal opinion:
  - (i) Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (湛江華潤紅水河水泥有限公司) has yet to obtain the land use rights and building ownership of the property; and
  - (ii) Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (湛江華潤紅水河水泥有限公司) cannot freely transfer, lease or mortgage the land use rights and building ownership of the property.
- (5) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Title Certificate	No
Auction Confirmation Letter	Yes

## Group III – Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2005
26. A plot of land at Jiangbin Road Pingnan County Guangxi ZAR	<p>The property comprises a plot of land having a site area of approximately 16,900 sq.m. (181,912 sq.ft.).</p> <p>The property is planned to be developed into a residential area for employees of the Group.</p> <p>The land use right of the property has not been granted.</p>	The property is currently a vacant site.	No commercial value

*Notes:*

- (1) According to Planning Permit for Construction Use of Land No. 2003010, the property has been approved to Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司), a 73.5% owned subsidiary of the Company, for development on a plot of land with site area of 16,900 sq.m. for staff quarter use.
- (2) According to Business License No. 003524, Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) was established as a Sino-foreign equity joint venture company with a registered capital of RMB217,700,000 and has a valid operation period from 4 November 2003 to 4 November 2053.

As advised, the profit sharing is in accordance with the ratio of capital contribution in the registered capital.

- (3) According to the PRC legal opinion:
  - (i) Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) has yet to obtain the land use rights of the property; and
  - (ii) Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) cannot freely transfer, lease or mortgage the land use rights of the property.
- (4) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	No
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Work	No
Business License	Yes



## Group IV – Property interests rented by the Group in the PRC

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
27. A plot of land at San Shan Harbour Development District, Nanhai City, Guangdong Province	<p>The property comprises a plot of land with a total site area of 2,000 sq.m. (21,528 sq.ft.) as currently used for cement transportation.</p> <p>The property is currently rented by the Group for a term of 10 years from 1 June 2001 to 31 May 2011 at a monthly rental of RMB5,000 subject to upward adjustment at 20% for every 3 years.</p>	No commercial value
28. Unit 501 of a composite building, Legou Zuoye District, Qinzhou Harbour, Qinzhou City, Guangxi ZAR	<p>The property comprises a residential unit on level 5 of a 6-storey composite building completed in 2001.</p> <p>The property has a total gross floor area of approximately 100 sq.m. (1,076 sq.ft.).</p> <p>The property is currently occupied by the Group as staff quarters. The property is currently rented by the Group for a term of 1 year from 1 March 2005 to 28 February 2006 at a monthly rental of RMB730, exclusive of utilities charges, maintenance fee and other outgoings.</p>	No commercial value
29. A batching plant at Xiaohe Industrial Park, Xiaohe Village, Daojiao Town, Dongguan City, Guangdong Province	<p>The property comprises various buildings erected on a plot of land completed in 2003.</p> <p>The property has a total gross floor area of approximately 2,000 sq.m. (21,528 sq.ft.). The property comprises a site area of approximately 12,889 sq.m. (138,737 sq.ft.). The property is occupied by the Group as office, concrete batching and other ancillary uses.</p> <p>The property is currently rented by the Group for a term of 9 years from 1 April 2003 to 30 May 2012 at a monthly rental of RMB19,333.50 subject to upward adjustment at the rate of 10% for every 3 years from 1 June 2004, exclusive of utilities charges, management fee and other outgoings.</p>	No commercial value

## Group IV – Property interests rented by the Group in the PRC

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
30. Four plots of land at Dawandu Xiagun Tun Huhe Village, Daling Village, Qintang District, Guigang City, Guangxi ZAR	The property comprises four plots of land with a total site area of 4.20 mu (2,800 sq.m.) for currently used as cement plant.  The property is currently rented by the Group with the latest lease expiring on 13 December 2006 at a total rental of RMB14,283.74.	No commercial value
31. A plot of land at Mapanling Longma Village 14th Team, Daling Village, Qintang District, Guigang City, Guangxi ZAR	The property comprises a plot of land with a site area of approximately 11 mu (7,333.34 sq.m.).  The property is currently rented by the Group for a term of 1 year from 4 February 2005 at an annual rental of RMB4,400.	No commercial value
32. Levels 1 to 5, Boiler room on Level 6 and portion of land on ground level, Jinxin Hotel, Jingang Road, Guigang City, Guangxi ZAR	The property comprises various portions from Levels 1 to 6 of a hotel completed in 2000s.  The property has a total gross floor area of approximately 600 sq.m. (6,458 sq.ft.) and used as office and staff quarters.  The property is currently rented by the Group for a term from 5 January 2004 to 5 June 2005 at a monthly rental of RMB11,000, exclusive of utilities and other outgoings.	No commercial value
33. A building at Jingang Road, Guigang City, Guangxi ZAR	The property is a 6-storey building with a total gross floor area of approximately 800 sq.m. (8,611 sq.ft.) and used completed in 2000s for office and staff quarters uses.  The property is currently rented by the Group for a term of 1 year from 1 May 2004 to 30 April 2005 at a monthly rental of RMB11,500, exclusive of utilities and other outgoings.	No commercial value

## Group IV – Property interests rented by the Group in the PRC

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005										
34. A plot of land beside Chaolianzhishan Water Gate, Jiangmen City, Guangdong Province	<p>The property comprises a plot of land with site area of 3,550 sq.m. (38,212 sq.ft.) and a berth of 80 m. used as a cement interchange station.</p> <p>The property is currently rented by the Group for a term of 15 years from 1 January 2004 to 31 December 2018 at a monthly rental of RMB18,000 subject to upward adjustment at a rate of 5% for every 2 years.</p>	No commercial value										
35. Two ancillary buildings and a plot of land at the Old ferry of Chenwu Village and Xiaopenggang Village, Longxi Town, Boluo County, Huizhou City, Guangdong Province	<p>The property comprises two ancillary buildings erected on a plot of land with site area of 11,194 sq.m. (120,492 sq.ft.) used as a cement interchange station.</p> <p>The 2 ancillary buildings have total gross floor areas of 310 sq.m. (3,337 sq.ft.) for staff quarters and transformer room uses.</p> <p>The property is currently rented by the Group for a term of 15 years from 1 February 2004 to 28 February 2019 at a monthly rental of RMB18,100 subject to upward adjustment at a rate of 5% for every 3 years.</p>	No commercial value										
36. A portion of vacant land at the original site of Lianfa Cement Factory, Northeast Levee, Yuanjiachong, Zhongtang Town, Dongguan City, Guangdong Province	<p>The property comprises a plot of land with a site area of 5,575.40 sq.m. (60,014 sq.ft.) for pier use.</p> <p>The property is currently rented by the Group for a term of 12 years from 1 September 2004 to 30 June 2016 at the following rentals:</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Period</th> <th style="text-align: right;">Monthly rental</th> </tr> </thead> <tbody> <tr> <td>2004/9/1-2007/6/30</td> <td style="text-align: right;">RMB11,000</td> </tr> <tr> <td>2007/7/1-2010/6/30</td> <td style="text-align: right;">RMB13,200</td> </tr> <tr> <td>2010/7/1-2013/6/30</td> <td style="text-align: right;">RMB15,840</td> </tr> <tr> <td>2013/7/1-2016/6/30</td> <td style="text-align: right;">RMB19,030</td> </tr> </tbody> </table>	Period	Monthly rental	2004/9/1-2007/6/30	RMB11,000	2007/7/1-2010/6/30	RMB13,200	2010/7/1-2013/6/30	RMB15,840	2013/7/1-2016/6/30	RMB19,030	No commercial value
Period	Monthly rental											
2004/9/1-2007/6/30	RMB11,000											
2007/7/1-2010/6/30	RMB13,200											
2010/7/1-2013/6/30	RMB15,840											
2013/7/1-2016/6/30	RMB19,030											

## Group IV – Property interests rented by the Group in the PRC

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005	
37. Land Lot No. B31 at the north side of Xiashanchong Wharf, Fuyong Town, Baoan District, Shenzhen City, Guangdong Province	The property comprises a plot of land with a site area of 3,250 sq.m. (34,983 sq.ft.) used as a cement interchange station.	No commercial value	
	The property is currently rented by the Group for a term from 15 March 2004 to 19 October 2009 at the following rentals:		
	<b>Period</b>		<b>Monthly rental</b>
	2004/3/15-2005/10/19		RMB22,750
	2005/10/20-2007/10/19		RMB26,000
	2007/10/20-2009/10/19	RMB29,250	
38. A plot of land at the north side of Nanwu Road, Xiangqiao Village, Santang Town, Xinning District, Nanning City, Guangxi ZAR	The property comprises a plot of land with a site area of 17 mu (11,333.34 sq.m.) planned for the use as a concrete batching plant.	No commercial value	
	The property is currently rented by the Group for a term of 20 years from 1 April 2004 to 31 March 2024 at the following rentals:		
	<b>Period</b>		<b>Annual rental</b>
	2004/4/1-2009/3/31		RMB85,000
	2009/4/1-2014/3/31		RMB102,000
	2014/4/1-2019/3/31	RMB119,000	
	2019/4/1-2024/3/31	RMB136,000	

## Group IV – Property interests rented by the Group in the PRC

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
39. A plot of land at Biankeng section, Langkou Village, Longhua Town, Baoan District, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of 20,000 sq.m. (215,280 sq.ft.) currently used as a concrete batching plant.</p> <p>A new building is planned to be developed into a total gross floor areas of 1,000 sq.m. for office and quarters uses.</p> <p>The land portion is rented by the Group for a term of 8 years from the date of completing the site formation at a monthly rental of RMB80,000.</p> <p>The building portion is rented by the Group for a term of 8 years from the date of completion of the building at a monthly rental of RMB10,000.</p>	No commercial value
40. Land Lot No. (99) 3-101 situated to the south of North Ring Road and west of Shenyun Road, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of 4,014 sq.m. (43,207 sq.ft.) currently used as a concrete batch plant.</p> <p>The property is currently rented by the Group for a term of 5 years from 1 January 2003 to 31 December 2007 at an annual rental of RMB240,840.</p>	No commercial value
41. A plot of land situated to the east of Highway Bridge, the back of Chengkeng Village, Yantian District, Shenzhen City, Guangdong Province	<p>The property comprises a plot of land with a site area of approximately 4,000 sq.m. (43,056 sq.ft.) for currently used as a concrete batch plant.</p> <p>The property is rented by the Group for a term of 2 years from 1 April 2003 to 31 March 2005 at a monthly land use fee of RMB10,000.</p>	No commercial value

## Group IV – Property interests rented by the Group in the PRC

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2005
42. A plot of land at Tan Village Industrial Zone 1st Road, Chencun Town, Shunde District, Foshan City, Guangdong Province	The property comprises a plot of land with a site area of approximately 12.57 mu (8,380 sq.m.) for industry use.  The property is currently rented by the Group for a term of 15 years from 1 July 2003 to 30 June 2018 at an annual rental of RMB163,410 subject to upward adjustment with a rate of 10% for every 5 years.	No commercial value
43. A plot of land at Nanbiansha section of Tanzhou Canal, Tanzhou Village, Chencun Town, Shunde District, Foshan City, Guangdong Province	The property comprises a plot of land with a site area of approximately 7.80 mu (5,200 sq.m.) and used as a materials interchange station.  The property is currently rented by the Group for a term of 3 years from 23 December 2004 to 31 December 2007 at an annual rental of RMB7,800.	No commercial value
44. Two plots of land at Nizhou village Shatian Town Dongguan City Guangdong Province	The property comprises 2 plots of land with a total site area of approximately 229,551 sq.m. (2,470,887 sq.ft.) and used as an interchange station.  The property is currently rented under a verbal agreement by the Group for a term of 1 year commencing on 2 June 2004 at an annual rental of RMB8,000,000.	No commercial value

**RESPONSIBILITY STATEMENT**

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

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange 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 relative to issued share capital of the Company (Note 1) %
Qiao Shibo	Beneficial owner	–	3,800,000	3,800,000	0.995
Shi Shanbo	Beneficial owner	–	3,100,000	3,100,000	0.812
Zhou Junqing	Beneficial owner	–	2,800,000	2,800,000	0.733
Zhou Longshan	Beneficial owner	–	2,800,000	2,800,000	0.733
Sun Mingquan	Beneficial owner	–	2,600,000	2,600,000	0.681
Zheng Yi	Beneficial owner	–	2,600,000	2,600,000	0.681
Keung Chi Wang, Ralph	Beneficial owner	–	800,000	800,000	0.210
Chan Mo Po, Paul	Beneficial owner	–	200,000	200,000	0.052
Lin Zongshou	Beneficial owner	–	200,000	200,000	0.052
Lui Pui Kee, Francis	Beneficial owner	–	200,000	200,000	0.052

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 relative to issued share capital of the Company (Note 1) %
Qiao Shibo	5 December 2003	4 December 2013	2.325	3,000,000	0.995
	16 December 2004	15 December 2014	1.660	800,000	
Shi Shanbo	5 December 2003	4 December 2013	2.325	2,300,000	0.812
	16 December 2004	15 December 2014	1.660	800,000	
Zhou Junqing	5 December 2003	4 December 2013	2.325	2,000,000	0.733
	16 December 2004	15 December 2014	1.660	800,000	
Zhou Longshan	5 December 2003	4 December 2013	2.325	2,000,000	0.733
	16 December 2004	15 December 2014	1.660	800,000	
Sun Mingquan	5 December 2003	4 December 2013	2.325	1,800,000	0.681
	16 December 2004	15 December 2014	1.660	800,000	
Zheng Yi	5 December 2003	4 December 2013	2.325	1,800,000	0.681
	16 December 2004	15 December 2014	1.660	800,000	
Keung Chi Wang, Ralph	5 December 2003	4 December 2013	2.325	800,000	0.210
Chan Mo Po, Paul	5 December 2003	4 December 2013	2.325	200,000	0.052
Lin Zongshou	5 December 2003	4 December 2013	2.325	200,000	0.052
Lui Pui Kee, Francis	5 December 2003	4 December 2013	2.325	200,000	0.052

*Notes:*

1. Based on 381,807,461 Shares in issue as at the Latest Practicable Date.
2. 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.
3. Consideration for each of the above grants is HK\$1.00.



*(b) CRE, an associated corporation of the Company*

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate long position in shares and underlying shares relative to issued share capital of CRE
					(Note 1) %
Qiao Shibo	Beneficial owner	–	3,800,000	3,800,000	0.178
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	0.029
	Interest of spouse	–	50,000	50,000	
Sun Mingquan	Beneficial owner	–	60,000	60,000	0.039
	Interest of spouse	150,000	634,000	784,000	
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 and amended on 20 August 2004) 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 position in underlying shares relative to issued share capital of CRE (Note 1) %
Qiao Shibo	7 February 2002	6 February 2012	7.17	1,800,000	0.178
	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	0.032 (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 2,137,439,215 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. Out of the options for 694,000 shares in CRE, options for 634,000 shares 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 relative 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	0.008
	Interest of spouse	100,000	60,000	160,000	
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 relative 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 2,652,486,071 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. The options 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.
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 relative to issued share capital of CR Land <i>(Note 1)</i> %
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	0.009
	Interest of spouse	–	60,000	60,000	
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	0.219

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 relative 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	0.219
	20 July 2000	27 May 2007	0.990	1,300,000	

*Notes:*

1. Based on 1,509,044,428 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 relative to issued share capital of CR Power
					(Note 1) %
Qiao Shibo	Beneficial owner	–	600,000	600,000	0.017
	Interest of spouse	–	30,000	30,000	
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	0.004
	Interest of spouse	–	30,000	30,000	
Sun Mingquan	Beneficial owner	–	90,000	90,000	0.005
	Interest of spouse	–	100,000	100,000	
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 relative 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 3,808,290,000 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 is also a director of 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 held	Approximate shareholding %	Principal amount of Bonds held HK\$	Number of Conversion Shares (assuming a conversion price of HK\$2.00)	Aggregate long position in Shares and underlying Shares relative to the existing issued share capital of the Company %
CRNC	270,132,647	70.8	742,872,000	371,436,000	168.0
China Resources Co., Limited	270,132,647	70.8	742,872,000	371,436,000	168.0
CRC Bluesky Limited	270,132,647	70.8	742,872,000	371,436,000	168.0
China Resources Holdings	270,132,647	70.8	742,872,000	371,436,000	168.0
Firstsuccess Investments Limited	–	–	742,872,000	371,436,000	97.3

*Note:* Firstsuccess Investments Limited is a wholly owned subsidiary of China Resources Holdings. China Resources Holdings is deemed by virtue of Section 316 of Part XV of the SFO to have the same interests in shares as those of Firstsuccess Investments Limited. 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. 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:

<b>Name of company</b>	<b>Name of substantial shareholder</b>	<b>Approximate shareholding interests held</b> %
Guangxi Hongshuihe Cement Joint Stock Company Limited	China National Building Material Group Corporation	12.2
Guangxi Pingnan China Resources Yufeng Cement Company Limited	Guangxi Yufeng Group Cement Company Limited	26.5
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.

### **SERVICE CONTRACTS**

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

### **MATERIAL CONTRACTS**

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

- an agreement for transfer of equity interest in Chinese dated 21 March 2003 between Clear Bright Investments Limited (晴朗投資有限公司) (“Clear Bright”) 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 東莞華潤水泥廠有限公司(Dongguan Huarun Cement Manufactory Co., Ltd.) (“Dongguan Cement”) by CR Metals and Minerals to Clear Bright at a consideration of HK\$85,234,599.59;
- 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 Dongguan Metals and Minerals Import and Export Ltd.) (“Dongguan Metals and Minerals”), Clear Bright as new “party B”, Sumitomo Corporation (Hong Kong) Limited (住友商事香港有限公司), Sumitomo Corporation (住友商事株式會社) and UBE Industries, Ltd. (宇部興產株式會社), 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 Clear Bright as mentioned above;
  - a supplemental agreement in Chinese dated 21 March 2003 between Dongguan Metals and Minerals, Clear Bright as new “party B”, 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 Clear Bright as mentioned above;
  - a loan assignment in Chinese dated 24 March 2003 between 華潤機械五礦(集團)有限公司 (China Resources Machinery and Minmetals (Holdings) Co., Limited) (“Minmetals Holdings”), Clear Bright and Dongguan Cement under which the benefit of the loan in the principal sum of HK\$121,200,000 due from Dongguan Cement to Minmetals Holdings was assigned to Clear Bright in consideration of Clear Bright paying the same amount to Minmetals Holdings;
  - a loan assignment in Chinese dated 24 March 2003 between Minmetals Holdings, 華潤水泥有限公司 (China Resources Cement Company Limited) (subsequently change of name to 華潤東莞水泥廠控股有限公司 (China Resources Dongguan Cement Manufactory Holdings Limited)) (“CR Cement Company”) and Dongguan Cement under which the benefit of the loan in the principal sum of HK\$94,180,000 due from Dongguan Cement to Minmetals Holdings was assigned to CR Cement Company in consideration of CR Cement Company paying the same amount to Minmetals Holdings;
  - 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 Clear Bright at a consideration of HK\$531,770;
  - 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 Clear Bright at a consideration of HK\$87,504,950.93;

- a deed of assignment and trust of equity dated 24 March 2003 between Goodsales Investments Limited, 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 Goodsales Investments Limited 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 Goodsales Investments Limited;
- a conditional agreement dated 26 March 2003 between the Company and China Resources Holdings regarding the acquisition of the entire issued share capital in, respectively, Clear Bright, Full Sincere Limited, Flavour Glory Limited and Goodsales Investments Limited and the related shareholders’ loans in the total principal amount of HK\$208,704,951 in consideration of the allotment and issue of shares of the Company, credited as fully paid, to China Resources Holdings;
- a supplemental agreement in Chinese dated 9 April 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) in relation to the joint venture contract of 湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement Co., Ltd.) (“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 Holdings Limited 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;
- a contract for the assignment of and licence to use trademarks in Chinese dated 31 May 2003 signed by Minmetals Holdings, Clear Bright and Dongguan Cement for the assignment of the 「東潤水泥」(Dongrun Shuini) and 「潤豐水泥」(Runfeng Shuini) registered trademarks from Minmetals Holdings to Clear Bright 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 in Chinese dated 3 June 2003 between Dongguan Metals and Minerals and Clear Bright in relation to the transfer of a 5% interest in each of Dongguan Cement and CR Cement Company from Dongguan Metals and Minerals to Clear Bright for a total consideration of HK\$4,800,000;

- a deed of option dated 20 June 2003 between China Resources Holdings and the Company in relation to Pingnan Joint Venture, under which, amongst other things, China Resources Holdings granted to the Company at the consideration of HK\$1 an option to acquire its interests (if any) in 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 CRE to the Company at the consideration of HK\$456,730,258;
- a share transfer agreement in Chinese dated 19 July 2004 regarding the acquisition of the remaining 30% interest in Shenzhen Concrete at the consideration of RMB15 million;
- 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, Goodsales Investments Limited, Flavour Glory Limited and Full Sincere Limited at the total consideration of HK\$205,413,108 and the deed of assignment of shareholders' loans of HK\$208,704,951. The total consideration of HK\$414,118,059 was settled by the issue of 154,755,000 ordinary shares of HK\$0.10 in the capital of the Company;
- a share purchase agreement dated 30 July 2003 regarding the acquisition of 4,000,000 shares of HK\$1 each in the issued share capital of Redland Precast Concrete Products Limited at the consideration of HK\$23,179,500;
- a share transfer agreement in Chinese dated 20 December 2003 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 華潤混凝土有限公司 (China Resources Concrete Limited) (“CR Concrete”) at the consideration of RMB20 million;
- a share transfer agreement in Chinese dated 20 December 2003 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 23 September 2004 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.) (“Foshan Shunan”) by CR Concrete from 創輝國際有限公司 (Charmfine International Limited) at the consideration of RMB5.94 million;

- a share transfer agreement in Chinese dated 23 September 2004 regarding the acquisition of 70% shareholding interest in Foshan Shunan by CR Concrete from 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.) 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 廣西紅水河水泥股份有限公司 (Guangxi Hongshuihe Cement Joint Stock Company Limited) (“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 the consideration of the assumption of certain liabilities of Guangxi Hongshuihe Cement, estimated to approximately RMB61.5 million;
- a HK\$400 million term loan agreement dated 25 October 2004 between the Company and various banks;
- a sale and purchase agreement dated 29 November 2004 between the Company and China Resources Holdings regarding the acquisition of the entire issued share capital of Tricot and the related shareholders’ loan; and hence the indirect acquisition of a 73.5% equity interest in Pingnan Joint Venture at the consideration of HK\$151.7 million;
- a subscription agreement dated 29 November 2004 entered into by China Resources Cement Finance Limited, the Company, Firstsuccess Investments Limited and China Resources Holdings relating to the issue of the Bonds in the amount of HK\$800 million;
- a supplemental agreement in Chinese dated 16 December 2004 between Guangxi CR Cement and Profit Pool Holdings Limited regarding the increase of share capital of Zhanjiang CR Cement from HK\$5.7 million to HK\$22 million;
- a share swap agreement dated 12 January 2005 between the Company and Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Limited and UBE Industries, Ltd. regarding the acquisition of a 25% equity interest in CR Cement Company;
- an instrument dated 13 January 2005 between the Company and China Resources Cement Finance Limited which constituted the Bonds;
- an instrument of transfer dated 13 January 2005 between China Resources Holdings and China Resources Cement Limited for the transfer of one share of US\$1 in the capital of Tricot for the consideration of HK\$1,427,228.60;

- a deed of assignment dated 13 January 2005 between China Resources Holdings, the Company and Tricot for the assignment of a shareholder’s loan in the principal amount of HK\$150,265,252.16 from China Resources Holdings to the Company; and
- an amended and restated instrument dated 27 January 2005 between the Company and China Resources Cement Finance Limited constituting the Bonds, which supersedes the instrument dated 13 January 2005.

**LITIGATION**

As at the Latest Practicable Date, 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.

**DIRECTORS’ INTEREST IN COMPETING BUSINESS**

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

**OTHER INTERESTS OF THE DIRECTORS**

As at the Latest Practicable Date:

- (i) none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 December 2004, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at Latest Practicable Date and is significant in relation to the business of the Group.

**MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2004, being the date to which the latest published audited financial statements of the Company were made up.

**EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Somerley	A deemed licensed corporation under the SFO to conduct types 1 (dealing in Securities), 4 (advising on Securities), 6 (advising in corporate finance) and 9 (asset management) regulated activities.
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Professional Surveyors and Valuers
Global Law Office	PRC lawyers

Each of Somerley, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Global Law Office have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

As at the Latest Practicable Date, Somerley, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Global Law Office were not interested beneficially or otherwise in any shares of the Company or any of its subsidiaries or associated corporations and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any shares of the Company or any of its subsidiaries or associated corporations nor did 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.

**PROCEDURES FOR DEMANDING A POLL**

In accordance with the Listing Rules, any vote taken at the EGM to approve the Supplemental JV Agreement must be taken by poll.

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

- (i) the chairman of the meeting; or



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

The above-mentioned persons may demand for a poll on or before the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

**MISCELLANEOUS**

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

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's Head Office at Room 4107, 41/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to 11 April 2005.

- the memorandum and articles of association of the Company;
- the annual report of the Company for the financial year ended 31 December 2004;
- the accountants' report of Pingnan Joint Venture for the period from 20 May 2002 (date of establishment) to 31 December 2002 and the two years ended 31 December 2004;
- the letter from Deloitte Touche Tohmatsu dated 24 March 2005 in relation to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group;
- the letter, summary of values and valuation certificates dated 24 March 2005 relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in appendix IV to this circular;
- the letter of opinion from Global Law Office dated 24 March 2005 in relation to property interests of the Group referred to in appendix IV to this circular;
- the letter from the Independent Board Committee dated 24 March 2005, the text of which is set out on page 19 of this circular;
- the letter from Somerley dated 24 March 2005, the text of which is set out on pages 20 to 25 of this circular;
- the consent letters from Somerley, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Global Law Office referred to in the section headed "Expert and consent" in this appendix;
- the material contracts referred to under the paragraph headed "Material Contracts" in this appendix; and
- draft of the Supplemental JV Agreement.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---



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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 712)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Resources Cement Holdings Limited (the “Company”) will be held on Monday, 11 April 2005 at 4:00 p.m. at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

“**THAT** a supplemental agreement (“Supplemental JV Agreement”) to be entered into between Tricot Limited, a wholly owned subsidiary of the Company, and Guangxi Yufeng Group Cement Company Limited (a copy of which is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) relating to the contribution of additional registered capital of a total of RMB419,220,000 in cash, equivalent to approximately HK\$393,773,000, by Tricot Limited to Guangxi Pingnan China Resources Yufeng Cement Company Limited, the terms and conditions of the Supplemental JV Agreement, the documents incidental to and the transactions contemplated under the Supplemental JV Agreement and the performance of Tricot Limited thereof be and are hereby approved, and that any one or more of the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver any documents and to do all such acts, matters and things as he or she or they may consider necessary or desirable for the purpose of giving effect to the Supplemental JV Agreement and completing the transactions contemplated by the Supplemental JV Agreement with such changes as such director(s) may consider necessary, desirable or expedient.”

By Order of the Board

**Shi Shanbo**

*Director*

Hong Kong, 24 March 2005

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

*Registered office:*

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

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

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

*Notes:*

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who must be an individual) to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with Standard Registrars Limited, the share registrar of the Company, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjournment thereof. Completion and return of the form of proxy will not preclude members from subsequently attending and voting in person at the meeting or any adjourned meeting.