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

If you have sold or transferred all your shares in China Resources Cement Holdings Limited, you should at once hand this document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

(Incorporated in Hong Kong with limited liability)



順創投資有限公司
Smooth Concept Investments Limited

(Incorporated in the British Virgin Islands with limited liability)



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

(Incorporated in the Cayman Islands with limited liability)

Stock Codes: 712 and 2512

**PROPOSAL TO CONSTITUTE
CHINA RESOURCES CEMENT HOLDINGS LIMITED
AS A WHOLLY-OWNED SUBSIDIARY OF
SMOOTH CONCEPT INVESTMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
PROPOSED PRIVATISATION AND WITHDRAWAL OF LISTING OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED
PROPOSED CONDITIONAL CONVERTIBLE BOND OFFER TO THE CONVERTIBLE BONDHOLDERS
TO ACQUIRE ALL OUTSTANDING CONVERTIBLE BONDS OF
CHINA RESOURCES CEMENT FINANCE LIMITED
PROPOSED CONDITIONAL OPTION LAPSING PAYMENT TO THE OPTIONHOLDERS**

**Financial adviser to
China Resources (Holdings) Company Limited
and
Smooth Concept Investments Limited**

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

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



SOMERLEY LIMITED

A letter from the Board (as defined herein) is set out on pages 11 to 21 of this document. An Explanatory Statement (as defined herein) regarding the Scheme of Arrangement (as defined herein) is set out on pages 60 to 87 of this document. A letter from the Independent Board Committee (as defined herein) containing its advice to the Shareholders (as defined herein) in relation to the Scheme of Arrangement is set out on pages 25 to 26 of this document. A letter from Somerley (as defined herein), being the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee, the Shareholders, the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it) in relation to the Proposal, the Convertible Bond Offer and the payment to the Optionholders, is set out on pages 27 to 59 of this document.

The action to be taken by the Shareholders and Convertible Bondholders is set out on pages 84 to 86 of this document.

Notices convening the Court Meeting (as defined herein) and the EGM (as defined herein) to be held in Hong Kong on 15 June 2006 are set out on pages 256 to 260 of this document. Whether or not you are able to attend the Court Meeting and, or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with Standard Registrars Limited, the share registrar of China Resources Cement Holdings Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the paragraph headed "Action to be taken" set out on page 84 of this document. The pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the EGM may be returned by facsimile at number (852) 3118 6830 (marked for the attention of the "Company Secretary") not later than the respective time and date stated in the paragraph headed "Action to be taken" set out on page 84 of this document, or may be handed to the chairman of the Court Meeting at the Court Meeting if they are not so lodged.

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DEFINITIONS

In this document, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, the financial adviser to CRH and Smooth Concept, and a deemed licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities under the SFO
“Announcement”	the announcement dated 31 March 2006 issued jointly by CRH, Smooth Concept and CRC in relation to the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment to the Optionholders
“Associate(s)”	has the meaning ascribed thereto in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Beneficial Owner”	any beneficial owner of Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
“Board”	board of Directors
“Business Day”	a day (excluding Saturday) on which banks in Hong Kong are generally open for business for more than four hours
“Cash Alternative”	HK\$2.45 per Share in cash under the Scheme of Arrangement
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Combination Alternative”	the combination alternative under which the Shareholders (other than CRH Group) may elect, pursuant to the Election Form, to receive a combination of the Cash Alternative and the Share Alternative

DEFINITIONS

“Commotra”	Commotra Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CRH
“Companies Law”	Companies Law (2004 Revision) of the Cayman Islands
“Convertible Bond(s)”	zero coupon convertible bonds(s) due 2010 issued by China Resources Cement Finance Limited, a wholly-owned subsidiary of the Company, and guaranteed by the Company in the principal amount of HK\$800 million (of which HK\$799.9 million is outstanding) which entitle the holders to convert all or a portion of their Convertible Bonds into Shares at an initial conversion price of HK\$2.00 per Share, subject to adjustment
“Convertible Bond Offer”	the conditional offer by Smooth Concept to the Convertible Bondholders to acquire the outstanding Convertible Bonds on the terms and subject to the conditions contained in this document and the Convertible Bond Offer Form
“Convertible Bond Offer Form”	the yellow form setting out the terms and conditions of the Convertible Bond Offer and to be completed by the Convertible Bondholders for acceptance of the Convertible Bond Offer
“Convertible Bondholder(s)”	holder(s) of the Convertible Bond(s)
“Court”	the Grand Court of the Cayman Islands
“Court Meeting”	a meeting of Shareholders to be convened at the direction of the Court at which the Scheme of Arrangement will be voted upon. CRH and the parties acting in concert with it will abstain from voting at this meeting
“CRC” or “Company”	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange

DEFINITIONS

“CRC Group”	CRC and its subsidiaries
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong on 8 July 1983 and the holding company of Smooth Concept and CRC
“CRH Group”	CRH and Commotra
“CRNC”	China Resources National Corporation, a company established in PRC and the ultimate holding company of CRH
“Director(s)”	the director(s) of CRC, including non-executive directors and independent non-executive directors
“DTZ Debenham”	DTZ Debenham Tie Leung, a professional surveying and property valuation firm and the property valuer of CRC
“Effective Date”	26 July 2006, being the date on which the Scheme of Arrangement, if sanctioned by the Court, becomes effective in accordance with the Companies Law
“EGM”	an extraordinary general meeting of the Company to be held immediately following the Court Meeting to consider and vote on the share capital reduction as part of the Scheme of Arrangement. All Shareholders are eligible to vote at this meeting
“Election Form”	the blue form of election to be completed by the Shareholders (other than CRH Group) in respect of either the Share Alternative or the Combination Alternative
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement set out on pages 60 to 87 of this document and issued in compliance with the rules of the Court
“Firstsuccess”	Firstsuccess Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CRH

DEFINITIONS

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of The People’s Republic of China
“Independent Board Committee”	the independent board committee of CRC, comprising Messrs. Chan Mo Po, Paul, Lin Zongshou and Lui Pui Kee, Francis, all of whom are independent non-executive Directors, which has been established for the purpose of advising the Shareholders and the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it) in respect of the Proposal, the Convertible Bond Offer and the Option Lapsing Payment to the Optionholders
“Last Trading Day”	28 March 2006, being the last day on which the Shares were traded before the publication of the Announcement
“Latest Practicable Date”	16 May 2006, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Period”	the period from the date of the Announcement until the later of (i) the Effective Date; or (ii) the date when the Scheme of Arrangement lapses; or (iii) an announcement is made of the withdrawal of the Scheme of Arrangement
“Option(s)”	option(s) granted to Optionholders under the Share Option Scheme
“Option Lapsing Payment”	the payment by Smooth Concept to all optionholders whose options have lapsed at 4:00 p.m. on 19 July 2006, being the difference between the exercise price of the Options and the Cash Alternative

DEFINITIONS

“Optionholder(s)”	holder(s) of Options
“PRC”	The People’s Republic of China, excluding, for the purpose of this document, Hong Kong, the Macau Special Administration Region and Taiwan
“Proposal”	the proposed privatisation of the Company by CRH through Smooth Concept pursuant to the Scheme of Arrangement
“Record Date”	21 July 2006, being the date on which the entitlements of the Shareholders under the Scheme of Arrangement are determined
“Record Time”	4:00 p.m. (Hong Kong time) on the Record Date
“Registered Owner”	any nominee, trustee, depository or any other authorised custodian or third party who is the registered owner of Shares. A Registered Owner is a Shareholder that has his, her or its name entered on the register of members of CRC
“Relevant Authorities”	appropriate governments and, or governmental bodies, regulatory bodies, courts or institutions including the SFC and the Stock Exchange
“Relevant Period”	the period commencing on the date falling six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Scheme of Arrangement”	a scheme of arrangement between the Company and the Shareholders pursuant to Section 86 of the Companies Law
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	shares of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Share Alternative”	1 share in Smooth Concept for each Share held, other than Shares held by CRH Group
“Share Option Scheme”	the share option scheme of the Company initially adopted on 20 June 2003 and effected on 29 July 2003
“Smooth Concept”	Smooth Concept Investments Limited, a company incorporated in the British Virgin Islands on 13 February 2006 and a wholly-owned subsidiary of CRH
“Somerley”	Somerley Limited, the independent financial adviser to the Independent Board Committee, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent

EXPECTED TIMETABLE

Hong Kong time
(unless otherwise stated)

Latest time for lodging transfers of Shares to qualify for attending and voting at the Court Meeting and the EGM	4:00 p.m. on Monday, 12 June 2006
Book close dates (<i>Note 1</i>)	Tuesday, 13 June 2006 to Thursday, 15 June 2006 (both days inclusive)
Latest time for lodging forms of proxy in respect of Court Meeting (<i>Note 2</i>)	10:00 a.m. on Tuesday, 13 June 2006
EGM (<i>Note 2</i>)	10:30 a.m. on Tuesday, 13 June 2006
Suspension of dealings in the Shares and the Convertible Bonds	9:30 a.m. on Thursday, 15 June 2006
Court Meeting (<i>Note 3</i>)	10:00 a.m. on Thursday, 15 June 2006
EGM (<i>Note 3</i>)	10:30 a.m. on Thursday, 15 June 2006 (or as soon thereafter as the Court Meeting convened for the same day and place shall have been concluded or adjourned)
Press announcement of the results of the Court Meeting and the EGM in Hong Kong Economic Times and The Standard	Friday, 16 June 2006
Resumption of dealings in the Shares and the Convertible Bonds	9:30 a.m. on Friday, 16 June 2006

EXPECTED TIMETABLE

Hearing of CRC's summons for directions in respect of the share capital reduction (<i>Note 4</i>)	Monday, 26 June 2006
Latest time for dealing in the Shares and the Convertible Bonds	4:00 p.m. on Thursday, 13 July 2006
Suspension of dealing in the Shares and the Convertible Bonds pending withdrawal of the listing of the Shares on the Stock Exchange	9:30 a.m. on Friday, 14 July 2006
Latest time for lodging transfers of Shares to qualify for entitlements under the Scheme of Arrangement	4:00 p.m. on Wednesday, 19 July 2006
Book close dates (<i>Note 5</i>)	Thursday, 20 July 2006 to Tuesday, 25 July 2006
Record Time	4:00 p.m. on Friday, 21 July 2006
Latest time for lodging the Election Form by Shareholders who are qualified for entitlements under the Scheme of Arrangement (<i>Note 6</i>)	4:00 p.m. on Friday, 21 July 2006
Latest time for lodging the Convertible Bond Offer Form by the Convertible Bondholders (<i>Note 7</i>)	4:00 p.m. on Friday, 21 July 2006
Court hearing of the petition to sanction the Scheme of Arrangement and to confirm the share capital reduction (<i>Note 4 and Note 8</i>)	Monday, 24 July 2006
Effective Date (<i>Note 8</i>)	Tuesday, 25 July 2006
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective (<i>Note 8</i>)	9:30 a.m. on Wednesday, 26 July 2006

EXPECTED TIMETABLE

Press announcement of, inter alia, (i) the results of the court hearing of the petition to sanction the Scheme of Arrangement and to confirm the share capital reduction, (ii) the Effective Date, (iii) the results of the Convertible Bond Offer and (iv) the withdrawal of the listing of the Shares in Hong Kong
Economic Times and The Standard Wednesday, 26 July 2006

Cheques for cash entitlements to Shareholders, Convertible Bondholders and the Option Lapsing Payment to the Optionholders, and share certificates to be despatched on or before (*Note 9*) Friday, 4 August 2006

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

1. The register of members of CRC will be closed during such period for the purpose of determining entitlements of the Shareholders to attend and vote at the Court Meeting and the EGM. This book close period is not for determining entitlements under the Scheme of Arrangement. Any Shareholders selling or transferring their Shares after such period will not be qualified for entitlements under the Scheme of Arrangement in respect of those Shares sold or transferred.
2. Forms of proxy should be lodged, by hand or by post, with Standard Registrars Limited, the share registrar of CRC at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event no later than the times and dates stated above. The pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the EGM may be returned by facsimile at number (852) 3118 6830 (marked for the attention of "the Company Secretary") not later than the respective time and date stated in the paragraph headed "Action to be taken" set out on page 84 of this document, or may be handed to the chairman of the Court Meeting at the Court Meeting if they are not so lodged. In order to be valid, the pink form of proxy for the Court Meeting and the white form of proxy for the EGM must be lodged no later than the times and dates stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Shareholder from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner, such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements in relation to the manner in which the Shares of the beneficial Owner should be voted at the Court Meeting and, or the EGM. Such instructions and, or arrangements should be given or made in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

EXPECTED TIMETABLE

Any Beneficial owner whose shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant, contact their broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme of Arrangement. The same timeframes for contacting their broker, custodian, nominee or other relevant person as set out in the previous paragraph apply to such Beneficial Owners. The procedure for voting in respect of the Scheme of Arrangement by the investor participants and other CCASS participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures.”

3. The Court Meeting and the EGM will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out on pages 256 and 257 and the notice of the EGM set out on pages 258 to 260 of this document for details.
4. All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court hearing of the petition to sanction the Scheme of Arrangement and to confirm the share capital reduction and the Court hearing of CRC’s summons for directions in respect of the share capital reduction, which are the relevant times and dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.
5. The register of members of CRC will be closed during such period for the purpose of determining Shareholders who are qualified for entitlements under the Scheme of Arrangement. Entitlements under the Scheme of Arrangement will be based on the actual number of Shares held by the Shareholders as at the Record Time i.e. 4:00 p.m. on 21 July 2006.
6. The Election Form, duly completed in accordance with the instructions on them, must be lodged with the share registrar of CRC, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong so as to reach them no later than the Record Time or such later date and time as may be notified through press announcement, failing which the Shareholders (other than CRH Group) will receive the Cash Alternative in respect of their entire holding of Shares if the Scheme of Arrangement becomes effective. If you have sold or transferred all or part of your Shares in the Company, you should at once hand this document and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the Company’s share registrar, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong at any time before the Record Time.
7. Convertible Bond Offer Forms, duly completed in accordance with the instructions on them, must be lodged with the share registrar of CRC, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong so as to reach them no later than the Record Time or such later date and time as may be notified through press announcement, failing which the Convertible Bondholders (other than CRH Group) will not receive any consideration.
8. The Scheme of Arrangement shall become effective upon all the conditions set out in the paragraph headed “Conditions of the Scheme of Arrangement” in the Explanatory Statement on pages 60 to 87 of this document having been fulfilled or (to the extent permitted) waived (as the case may be).
9. A cheque for the amount in respect of cash entitlements or share certificates of Smooth Concept under the Scheme of Arrangement and the Convertible Bond Offer, and the payment of the Option Lapsing Payment to the Optionholders will be despatched by post within 10 days from the Effective Date.

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 Codes: 712 and 2512)

Executive Directors:

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

Non-executive Director:

Jiang Wei
Keung Chi Wang, Ralph

Independent Non-executive Directors:

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

Registered office:

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

Principal place of business

in Hong Kong:

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

22 May 2006

*To the Shareholders, Convertible Bondholders
and Optionholders*

Dear Sir or Madam,

**PROPOSAL TO CONSTITUTE
CHINA RESOURCES CEMENT HOLDINGS LIMITED
AS A WHOLLY-OWNED SUBSIDIARY OF
SMOOTH CONCEPT INVESTMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS**

**PROPOSED PRIVATISATION AND WITHDRAWAL OF LISTING OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED**

**PROPOSED CONDITIONAL CONVERTIBLE BOND OFFER
TO THE CONVERTIBLE BONDHOLDERS
TO ACQUIRE ALL OUTSTANDING CONVERTIBLE BONDS
OF CHINA RESOURCES CEMENT FINANCE LIMITED**

PROPOSED CONDITIONAL OPTION LAPSING PAYMENT TO THE OPTIONHOLDERS

INTRODUCTION

CRH through Smooth Concept had requested the Board to put forward to (i) Shareholders a Proposal which, if implemented, would result in CRC becoming a wholly-owned subsidiary of Smooth Concept; and (ii) the Convertible Bondholders and the Optionholders, respectively, the

LETTER FROM THE BOARD

Convertible Bond Offer to acquire all outstanding Convertible Bonds and the payment of the Option Lapsing Payment. The privatisation of the Company will be implemented by way of a Scheme of Arrangement under Section 86 of the Companies Law. The Convertible Bond Offer and the payment of the Option Lapsing Payment to the Optionholders will be conditional upon the Scheme of Arrangement becoming effective. The Board has agreed to put forward the Proposal, the Convertible Bond Offer and payment of the Option Lapsing Payment to the Optionholders as it considers the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment to the Optionholders to be appropriate for consideration by the public Shareholders, Convertible Bondholders and Optionholders respectively.

CRH and Smooth Concept have appointed Anglo Chinese as their financial adviser in connection with the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment to the Optionholders.

The three independent non-executive Directors, Messers. Chan Mo Po, Paul, Lin Zongshou and Lui Pui Kee, Francis, have been appointed as members of the Independent Board Committee for consideration of and making recommendations to the Shareholders, the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it) in respect of the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment to Optionholders, respectively. The Independent Board Committee has approved the appointment of Somerley to advise the Independent Board Committee in connection with the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment. The two non-executive Directors (Messrs. Jiang Wei and Keung Chi Wang, Ralph) are not members of the Independent Board Committee in view of their indirect interests in the Proposal. Mr. Jiang Wei is a director of CRH and Mr. Keung Chi Wang, Ralph is an executive director of China Resources Enterprise, Limited, a subsidiary of CRH.

The purpose of this document is to provide you with further information regarding the Proposal, the Convertible Bond Offer and the Option Lapsing Payment and to give you notices of the Court Meeting and the EGM (and forms of proxy, the Election Form and the Convertible Bond Offer Form in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this document, the letter from Somerley, being the independent financial adviser to the Independent Board Committee, set out on pages 27 to 59 of this document, the Explanatory Statement set out on pages 60 to 87 of this document and the Scheme of Arrangement set out on pages 247 to 255 of this document.

LETTER FROM THE BOARD

THE PROPOSAL

Under the Scheme of Arrangement, Shareholders (other than CRH Group) will receive from Smooth Concept in consideration for the cancellation of their Shares:

for every Share held the Cash Alternative, being HK\$2.45 in cash; or
..... the Share Alternative, being one share in Smooth Concept,
credited as fully paid up.

Shareholders (other than CRH Group) may elect either the Share Alternative or the Combination Alternative in respect of the number of Shares registered in their names at the Record Time. Shareholders (other than CRH Group) who elect the Share Alternative or the Combination Alternative should specify in the Election Form the number of Shares to which they wish their acceptances to apply. If no election is made, such Shareholders will receive the Cash Alternative. No dividends or other distributions have been declared for the year ended 31 December 2005.

The shares in Smooth Concept offered under the Share Alternative and the Combination Alternative will rank *pari passu* with the existing issued shares in Smooth Concept in respect of ranking for dividends and capital and voting rights attached thereto. Assuming the Scheme of Arrangement becomes effective, any Shareholder (other than CRH Group) (i) who has not, by the Record Time or such later date and time as may be notified through press announcement, delivered to the share registrar of CRC, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, a duly completed and executed Election Form; or (ii) who has returned an Election Form which is not duly completed or executed will receive the Cash Alternative.

Dealings of the Shares will be suspended on 14 July 2006 pending withdrawal of the listing of the Shares on the Stock Exchange. Upon implementation of the Scheme of Arrangement, CRC will be a wholly owned subsidiary of Smooth Concept and the listing of the Shares will be withdrawn from the Stock Exchange on 26 July 2006 in compliance with Rule 6.15(2) of the Listing Rules.

Conditions of the Scheme of Arrangement are set out in the subsection headed "Conditions of the Scheme of Arrangement" in the Explanatory Statement on pages 60 to 87 in this document.

CRH announced on 7 April 2006 that it would not increase the consideration payable under the Scheme of Arrangement described above.

The Proposal will entail, on the Effective Date, the cancellation of all Shares in issue at the Record Time. As at the Latest Practicable Date, CRH Group was the legal and, or beneficial owner of 270,132,647 Shares, whilst all other Shareholders collectively held 111,730,814 Shares (being a total of 381,863,461 Shares). In addition to the cancellation of 381,863,461 Shares, any further Shares that may be issued between the Latest Practicable Date and the Record Time will also be cancelled. In this regard, Firstsuccess will convert its Convertible Bonds into Shares before the Record Time. This conversion will result in the issue of an additional 371,436,000 Shares, which will have the effect of increasing the number of Shares by 97.3%.

LETTER FROM THE BOARD

The cancellation of all Shares in issue at the Record Time will be followed by the immediate re-issue of the same number Shares to Smooth Concept. In consideration for the cancellation of the Shares held by CRH Group, CRH Group will be issued the same number of shares in Smooth Concept, credited as fully paid.

In order to finance the Proposal, CRH Group will subscribe for such number of new shares in Smooth Concept (in addition to the shares in Smooth Concept issued in consideration for the cancellation and extinguishment of the Shares held by CRH Group as at the Record Time) at HK\$2.45 per share so that upon the implementation of the Scheme of Arrangement, the Shareholders who elect to receive the Share Alternative in full will, on an undiluted basis, have the same proportional interests in CRC, held through their shareholdings in Smooth Concept, as they did immediately before the implementation of the Scheme of Arrangement as direct Shareholders in CRC.

Furthermore, once the Scheme of Arrangement becomes effective, CRH will subscribe for additional shares in Smooth Concept to finance the purchase of Convertible Bonds under the Convertible Bond Offer and to finance the Option Lapsing Payment. Accordingly, shareholders who elect to receive the Share Alternative or the Combination Alternative should note that their proportionate interests in CRC (held through their shareholdings in Smooth Concept) remain subject to dilution.

Smooth Concept will not be a listed company and therefore its shareholders will not be afforded the protections currently given to them under the Listing Rules, the constitution of CRC and the laws of the Cayman Islands. Moreover, there is no plan to obtain a listing for the shares in Smooth Concept on any exchange.

Shareholders in Smooth Concept will still enjoy the benefits of limited liability and will have their rights and obligations in relation to Smooth Concept governed by the provisions of the British Virgin Islands' BVI Business Companies Act. Shareholders in Smooth Concept (and, in particular, its minority shareholders) will have limited participation in its business affairs and future direction. In addition, shareholders in Smooth Concept may find it more difficult to find a purchaser for their shares in the event that they wish to transfer or sell their shares in it, as there will be less likely a ready market for them. The directors of Smooth Concept are Messrs. Wong Siu Ping and Lin Guolong.

LETTER FROM THE BOARD

Comparison of value

The Cash Alternative represents:

- a premium of approximately 35.4% over the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 65.5% over the 30-day average closing price of the Shares of HK\$1.48 per Share during the period ended on the Last Trading Day;
- a premium of 57.1% over the weighted average traded price, weighted by the number of Shares traded, of HK\$1.56 per Share during the period commencing 1 January 2005 and ending on the Last Trading Day;
- a premium of 5.6% over the weighted average traded price of HK\$2.32 per Share for the entire period since the Shares were listed on the Stock Exchange on 29 July 2003 until the Last Trading Day;
- a historical price earnings multiple of 74.2 times based on the basic earnings per Share of HK\$0.033 for the financial year ended 31 December 2005; no dividends were declared in respect of this period; and
- a discount of 2.8% on the audited net assets attributable to Shareholders as at 31 December 2005 on a fully diluted basis of HK\$2.52 per Share.

The Convertible Bond Offer

The Company has, through its wholly-owned subsidiary, China Resources Cement Finance Limited, in issue and outstanding HK\$799.9 million principal amount of Convertible Bonds. After the Scheme of Arrangement becomes effective, Smooth Concept will make the Convertible Bond Offer to acquire all the Convertible Bonds held by Convertible Bondholders (other than Firstsuccess) on the following basis:

for any HK\$4,000 principal amount of HK\$4,900 in cash or
the Convertible Bonds a proportionate amount
for any lesser or
greater principal amount
of the Convertible Bonds held.

LETTER FROM THE BOARD

The Convertible Bond Offer will not be subject to the attainment of any particular levels of acceptances or any other conditions after the Scheme of Arrangement has become effective. It is made in compliance with Rule 13 of the Takeovers Code and pursuant to the terms of the Convertible Bonds.

The Convertible Bondholders accepting the Convertible Bond Offer will be required to pay stamp duty pursuant to the Stamp Duty Ordinance. The Convertible Bondholders who have accepted the Convertible Bond Offer will have to bear their part of the stamp duty payable. However, Smooth Concept will deduct such stamp duty from the consideration payable to the Convertible Bondholders and will pay such stamp duty on behalf of the Convertible Bondholders. Currently, the duty is charged at the rate of 0.2% of the value of the Convertible Bonds transferred (the buyer and the seller each paying half of such stamp duty). This means a stamp duty of HK\$5.0 is payable on transfer of every HK\$4,000 principal amount of the Convertible Bonds or so in proportion for any lesser or greater principal amount of the Convertible Bonds transferred and will be deducted from consideration to be received by the Convertible Bondholders.

The Convertible Bondholders who wish to accept the Convertible Bond Offer are required to complete the Convertible Bond Offer Form enclosed with this document.

The Convertible Bonds are convertible into Shares at HK\$2.00 per Share. The consideration payable for the offer for the Convertible Bonds is based on the consideration payable under the Cash Alternative and the conversion price of the Convertible Bonds. CRH will subscribe for shares in Smooth Concept at HK\$2.45 per share to fund Smooth Concept's acquisition of all the Convertible Bonds held by Convertible Bondholders (other than Firstsuccess) under the Convertible Bond Offer.

Firstsuccess currently holds in excess of 90% in the principal amount of the Convertible Bonds and is, accordingly, able to pass an extraordinary resolution of the Convertible Bondholders by means of a resolution in writing signed by Firstsuccess. Convertible Bondholders should note that an extraordinary resolution may have the effect of, among other things, modifying the maturity date of the Bonds, or approving any other matter affecting the interests of the Convertible Bondholders as a class. Since the Shares into which the Convertible Bonds are convertible will be de-listed after the Scheme of Arrangement becomes effective and the main purpose of the Proposal is to ensure that CRC will become a wholly-owned subsidiary of Smooth Concept, Firstsuccess passed an extraordinary resolution in writing in accordance with the terms and conditions of the Convertible Bonds on 17 May 2006 to, conditional upon the approval of the Shareholders of the Scheme of Arrangement at the Court Meeting, suspend the conversion rights attaching to the Convertible Bonds with effect from 4:00 p.m. on 19 July 2006 until the Effective Date and, conditional upon the Scheme of Arrangement becoming effective, to cancel the conversion rights attaching to the Convertible Bonds. CRC and the issuer of the Convertible Bonds have agreed to the contents of such written resolutions. Firstsuccess intends to convert all of its Convertible Bonds into Shares before the Effective Date. **Convertible Bondholders should also note that, after the Scheme of Arrangement becomes effective, the Convertible Bonds will no longer be convertible into Shares.**

LETTER FROM THE BOARD

Although the Convertible Bonds are listed on the Stock Exchange, they have not been traded so it is not possible to provide a comparison of the price offered for the Convertible Bonds with their market price.

Upon the Scheme of Arrangement becoming effective, and if there are sufficient acceptances under the Convertible Bond Offer such that the outstanding amount is less than HK\$30 million, the Company will be able to redeem mandatorily the Convertible Bonds and it intends to withdraw the listings of the Convertible Bonds on the Stock Exchange. If the Proposal is not approved or lapses and if acceptances under the Convertible Bond Offer are not sufficient to redeem mandatorily the Convertible Bonds, the listing of the Convertible Bonds on the Stock Exchange will not be withdrawn.

Payment to the Optionholders

As at the Latest Practicable Date, there were 34,440,000 outstanding Options with exercise prices being HK\$1.66 and HK\$2.325 per Option and an aggregate of 19,100,000 Options were held by the Directors. Details of the Directors' interests in the Options are set out in "Appendix III – General Information" of this document.

In the event that any Options are exercised after the Latest Practicable Date and Shares are issued pursuant to such exercise prior to the Record Time, any such Shares shall participate in and be subject to the Scheme of Arrangement.

Once the Scheme of Arrangement is approved by the Shareholders at the Court Meeting, a notice will be sent to all Optionholders, pursuant to the terms and conditions of the Share Option Scheme, informing them that if they wish to participate in the Scheme of Arrangement, they can convert all outstanding Options held by them at any time up to 4:00 p.m. 19 July 2006 (the latest time for lodging transfers of Shares to qualify for entitlements under the Scheme of Arrangement).

If the Scheme of Arrangement is sanctioned by the Court and becomes effective, any outstanding Options which are not exercised at or prior to 4:00 p.m. on 19 July 2006 will automatically lapse in accordance with the terms of their issue. If the Scheme of Arrangement is not sanctioned by the Court and does not become effective, all unexercised Options will remain unaffected and will be exercisable during their relevant exercisable periods pursuant to the terms of the Share Option Scheme.

After the Scheme of Arrangement becomes effective, Smooth Concept will pay the Option Lapsing Payment to all Optionholders who have not exercised their conversion right and whose Options have lapsed at 4:00 p.m. on 19 July 2006. No stamp duty will be payable in relation to the Option Lapsing Payment.

LETTER FROM THE BOARD

Total consideration and confirmation of financial resources

On the basis that all Shareholders (other than CRH Group) elect the Cash Alternative and full acceptance of the Convertible Bond Offer by the Convertible Bondholders (other than Firstsuccess), and assuming all Options are fully converted into Shares, the total maximum amount of cash payable under the Proposal and the Convertible Bond Offer is approximately HK\$428.0 million. Anglo Chinese, the financial adviser to CRH and Smooth Concept, has confirmed that sufficient financial resources are available to CRH and Smooth Concept to implement the Scheme of Arrangement, to satisfy full acceptance of the Convertible Bond Offer and to pay the Option Lapsing Payment to the Optionholders. The Scheme of Arrangement, the Convertible Bond Offer and the payment of the Option Lapsing Payment will be financed from the subscription by CRH of shares in Smooth Concept at HK\$2.45 per share.

Reasons for the Proposal

The Company, which holds the cement and concrete interests of CRH, was listed on the Stock Exchange on 29 July 2003. The listing was through an introduction so that no funds were raised by the Company as part of its listing. Since then the production capacity of CRC Group has been greatly increased through both the expansion of existing capacity and through acquisitions, notably China Resources Cement (Pingnan) Limited, which is now wholly owned. Further increases are planned and, as disclosed in CRC's results announcement for the year ended 31 December 2005, it is the objective of CRC Group to have installed production capacity for 15 million tonnes of cement and 10 million cubic metres of concrete per annum by 2008. If this is achieved it will make CRC Group one of the largest cement and concrete producers in PRC and one of the dominant cement producers in Guangxi Zhuang Autonomous Region. The increase in production capacity has required extensive investment, a substantial portion of which has been funded by CRH through the provision of HK\$742.9 million of the HK\$800 million Convertible Bonds by a wholly-owned subsidiary of CRH.

Since 2004, conditions in the building materials sector in PRC have changed markedly due principally to measures taken by PRC Government to curb excessive fixed assets investment and the substantial increases in production and distribution costs due to sharply increased energy prices. This has resulted in pressure both on sales prices and on margins with the result that the profits of CRC Group, in common with other cement and concrete producers, have declined markedly.

In circumstances where it has not been possible to raise significant funds from the market and in view of the keen competition and cost pressures in the building materials sector, CRH has questioned the value of a listed status for CRC and believes that the continued expansion of CRC Group during difficult trading conditions is best carried out as an unlisted company.

The Proposal is designed to give public Shareholders consideration for their Shares which, CRH believes, is substantially higher than would be justified by the Company's trading performance and the outlook for the cement and concrete industry in PRC. This is borne out by the premium

LETTER FROM THE BOARD

over the prevailing market price of Shares prior to the Announcement compared with the Cash Alternative being offered to Shareholders under the Scheme of Arrangement. The Proposal does, however, allow Shareholders who wish to retain their investment in CRC to do so, albeit in an unlisted form through a company incorporated in the British Virgin Islands. Accordingly, although the implementation of the Scheme of Arrangement will result in CRC ceasing to be a listed company, the Scheme of Arrangement will not compel Shareholders to relinquish their interest in CRC and its future.

INFORMATION ON CRH, SMOOTH CONCEPT AND CRC

Your attention is drawn to the paragraphs headed “Information on CRC” and “Information on CRH and Smooth Concept” in the Explanatory Statement set out in this document. Your attention is also drawn to the financial information on the CRC Group set out in Appendix I to this document.

INTENTION OF CRH WITH REGARD TO CRC

Your attention is drawn to the paragraph headed “Future intentions of CRH” in the Explanatory Statement.

OVERSEAS SHAREHOLDERS, CONVERTIBLE BONDHOLDERS AND OPTIONHOLDERS

Your attention is drawn to the paragraph headed “Overseas Shareholders, Convertible Bondholders and Optionholders” in the Explanatory Statement.

COURT MEETING AND EGM

In accordance with the direction of the Court, the Court Meeting will be held on 15 June 2006 for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme of Arrangement (with or without modifications). The Scheme of Arrangement will be subject to the approval of the Shareholders at the Court Meeting (without counting the votes of CRH and parties acting in concert with it which will abstain from voting in any event) in the manner referred to in the paragraph headed “Conditions of the Scheme of Arrangement” in the Explanatory Statement. The resolution will be passed if a majority of Shareholders (present in person or by proxy) representing not less than 75% in value of the Shares being voted vote in favour of the resolution.

In addition, the Scheme of Arrangement will, in compliance with Rule 2.10 of the Takeovers Code, only be implemented if the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all disinterested Shares (namely, the Shares held by the Shareholders other than CRH and parties

LETTER FROM THE BOARD

acting in concert with it). As at the Latest Practicable Date, the Shareholders other than CRH and parties acting in concert with it held in aggregate 111,512,014 Shares. 10% of the votes attached to all disinterested Shares represent 11,151,201 Shares as at the Latest Practicable Date.

The EGM will be held on 15 June 2006, immediately following the Court Meeting, for the purpose of considering and, if thought fit, passing a special resolution to approve the share capital reduction resulting from the cancellation of the Shares, the immediate increase of CRC's issued share capital to its former amount and the application of the credit arising in CRC's books of account as a result of the share capital reduction in paying up in full and issuing to Smooth Concept a number of new shares equal to the number of Shares cancelled. The special resolution will be passed provided that it is approved by not less than three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM. All Shareholders will be entitled to attend and vote on the special resolution at the EGM. CRH Group has indicated that if the Scheme of Arrangement is approved at the Court Meeting, they will vote in favour of the special resolution to be proposed at the EGM.

Notice of the Court Meeting is set out on pages 256 to 257 of this document. The Court Meeting will be held on 15 June 2006 at the time specified in the notice of the Court Meeting. A form of proxy for the Court Meeting is enclosed with this document.

Notice of the EGM is set out on pages 258 to 260 of this document. The EGM will be held at 10:30 a.m. or as soon thereafter as the Court Meeting convened for the same day and place shall have been concluded or adjourned on 15 June 2006. A form of proxy for the EGM is enclosed with this document.

Pursuant to the articles of association of CRC, a poll may be demanded in relation to any resolution put to the vote of the EGM before or on the declaration of result of the show of hands or on the withdrawal of any other demand for a poll:

- (a) by the chairman of the meeting; or
- (b) by at least five Shareholders present in person or by proxy and entitled to vote; or
- (c) by a Shareholder or Shareholders present in person or in the case of a corporation, by its duly authorised representative or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of 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 Shares conferring that right.

LETTER FROM THE BOARD

ACTION TO BE TAKEN

Your attention is drawn to the paragraph headed “Action to be taken” in the Explanatory Statement.

RECOMMENDATION

Your attention is drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the letter from the Independent Board Committee set out on pages 25 to 26 of this document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the paragraphs headed “Share certificates, dealings and listing” and “Registration, payment and despatch of Smooth Concept’s share certificates” in the Explanatory Statement.

TAXATION

Your attention is drawn to the paragraph headed “Taxation” in the Explanatory Statement.

It is emphasised that none of CRH, Smooth Concept, CRC, Anglo Chinese or any of their respective directors or associates or any other person involved in the Scheme of Arrangement accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Scheme of Arrangement.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from Somerley, the independent financial adviser to the Independent Board Committee, as set out on pages 25 to 26 and pages 27 to 59 of this document respectively, the Explanatory Statement as set out on pages 60 to 87 of this document, the appendices to this document, the Scheme of Arrangement as set out on pages 247 to 255 of this document, the Notice of Court Meeting as set out on pages 256 to 257 of this document, the Notice of EGM as set out on pages 258 to 260 of this document, the proxy form in respect of the Court Meeting as enclosed with this document, the proxy form in respect of the EGM as enclosed with this document, the Election Form as enclosed with this document and the Convertible Bond Offer Form as enclosed with this document.

Yours faithfully,
For and on behalf of the Board
Shi Shanbo
Director

LETTER FROM ANGLO CHINESE

The following is the text of a letter of advice from Anglo Chinese, the financial adviser to China Resources (Holdings) Company Limited and Smooth Concept Investments Limited relating to an estimated value of the shares in Smooth Concept payable under the Share Alternative.

ANGLO CHINESE CORPORATE FINANCE, LIMITED

22 May 2006

The board of directors
China Resources (Holdings) Company Limited
Smooth Concept Investments Limited

Dear Sir or Madam,

**PROPOSAL TO CONSTITUTE
CHINA RESOURCES CEMENT HOLDINGS LIMITED
AS A WHOLLY-OWNED SUBSIDIARY OF
SMOOTH CONCEPT INVESTMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS**

**PROPOSED PRIVATISATION AND WITHDRAWAL OF LISTING OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED**

**PROPOSED CONDITIONAL CONVERTIBLE BOND OFFER
TO THE CONVERTIBLE BONDHOLDERS
TO ACQUIRE ALL OUTSTANDING CONVERTIBLE BONDS
OF CHINA RESOURCES CEMENT FINANCE LIMITED**

PROPOSED CONDITIONAL OPTION LAPSING PAYMENT TO THE OPTIONHOLDERS

INTRODUCTION

We refer to the document of even date issued by CRC (the “Document”) of which this letter forms part. Terms defined in the Document shall have the same meanings in this letter unless the context otherwise requires.

CRH through Smooth Concept had requested the Board to put forward to (i) Shareholders a Proposal which, if implemented, would result in CRC becoming a wholly-owned subsidiary of Smooth Concept; and (ii) the Convertible Bondholders and the Optionholders, respectively, the Convertible Bond Offer to acquire all outstanding Convertible Bonds and the payment of the Option Lapsing Payment. The privatisation of the Company will be implemented by way of a Scheme of Arrangement under Section 86 of the Companies Law. The Convertible Bond Offer and

LETTER FROM ANGLO CHINESE

the payment of the Option Lapsing Payment to the Optionholders will be conditional upon the Scheme of Arrangement becoming effective. The Board has agreed to put forward the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment to Optionholders as it considers the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment to Optionholders to be appropriate for consideration by the public Shareholders, Convertible Bondholders and Optionholders respectively.

CRH and Smooth Concept have appointed Anglo Chinese as their financial adviser in connection with the Proposal, the Convertible Bond Offer and the payment of the Option Lapsing Payment to Optionholders.

The purpose of this letter is to provide, in compliance with the Takeovers Code, an estimated value of the shares in Smooth Concept which is the consideration payable under the Share Alternative as described more fully below.

THE PROPOSAL

Under the Scheme of Arrangement, Shareholders (other than CRH Group) will receive from Smooth Concept in consideration for the cancellation of their Shares:

for every Share held the Cash Alternative, being HK\$2.45 in cash; or
. the Share Alternative, being one share in Smooth Concept,
credited as fully paid up.

Shareholders (other than CRH Group) may elect the Share Alternative, or the Combination Alternative in respect of the number of Shares registered in their names at the Record Time. Shareholders (other than CRH Group) who elect the Share Alternative or the Combination Alternative should specify in the Election Form the number of Shares to which they wish the Share their acceptances to apply. If no election is made, such Shareholders will receive the Cash Alternative.

The shares in Smooth Concept offered under the Share Alternative and the Combination Alternative will rank pari passu with the existing issued shares in Smooth Concept in respect of ranking for dividends and capital and voting rights attached thereto.

ESTIMATED VALUE OF THE SHARES IN SMOOTH CONCEPT

Upon completion of the Proposal, the listing of the Shares on the Stock Exchange will be withdrawn and CRC will become a wholly owned subsidiary of Smooth Concept, the shares in which will not be listed on any stock exchange. Smooth Concept was established for the purpose of the Proposal and has not yet commenced business. At the time the Scheme of Arrangement becomes effective, Smooth Concept will be the holding company of CRC and its turnover, profits,

LETTER FROM ANGLO CHINESE

assets and liabilities on a consolidated basis will be the same as those of the CRC Group save for cost and expenses incurred in connection with the Proposal. In this regard, the section headed “Financial Information on the CRC Group” in Appendix I to the Document gives information on the financial position and performance of the CRC Group. The value of shares in Smooth Concept, had they been listed, would be the same as the Shares and an indication of that value would be the traded price of the Shares before the Proposal was announced. The share price chart on page 69 in the Explanatory Statement of the Document and the share price information in Appendix III to the Document under the heading “Market Prices” give information on the historic share price performance of the Shares. Since the shares in Smooth Concept will not be listed and there will be no established market for them, it can be expected that the shares in Smooth Concept will trade at a material discount to an equivalent listed security to reflect their lack of marketability. It is not possible to give a precise measure for the discount to reflect the lack of marketability but it is estimated that such a discount would be at least 25%. It must, however, be emphasised that this is an estimate of the value of the shares in Smooth Concept and is not a valuation of such shares.

Yours faithfully,

For and on behalf of

Anglo Chinese Corporate Finance, Limited

Stephen Clark

Managing Director

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 Codes: 712 and 2512)

22 May 2006

To the Shareholders, the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it)

Dear Sir or Madam,

**PROPOSAL TO CONSTITUTE
CHINA RESOURCES CEMENT HOLDINGS LIMITED
AS A WHOLLY-OWNED SUBSIDIARY OF
SMOOTH CONCEPT INVESTMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS**

**PROPOSED PRIVATISATION AND WITHDRAWAL OF LISTING OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED**

**PROPOSED CONDITIONAL CONVERTIBLE BOND OFFER
TO THE CONVERTIBLE BONDHOLDERS
TO ACQUIRE ALL OUTSTANDING CONVERTIBLE BONDS OF
CHINA RESOURCES CEMENT FINANCE LIMITED**

PROPOSED CONDITIONAL OPTION LAPSING PAYMENT TO THE OPTIONHOLDERS

We refer to the document of even date issued by CRC (the “Document”) of which this letter forms part. Terms defined in the Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Shareholders, the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it) in respect of the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment respectively.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Scheme of Arrangement and taken into account the advice of Somerley, in particular the factors, reasons and recommendations as set out in the letter from Somerley set out on pages 27 to 59 of the Document, we consider that the terms of the Scheme of Arrangement are fair and reasonable. Accordingly, we recommend that the Shareholders (other than CRH and parties acting in concert with it) vote in favour of the Scheme of Arrangement to be considered at the Court Meeting and the special resolution to be proposed at the EGM to approve and implement the Scheme of Arrangement. We further recommend that the Shareholders (other than CRH and parties acting in concert with it) elect the Cash Alternative rather than the Share Alternative or the Combination Alternative.

Having considered the terms of the Convertible Bond Offer and the Option Lapsing Payment and taken into account the advice of Somerley, in particular the factors, reasons and recommendations as set out in the letter from Somerley on pages 27 to 59 of the Document, we consider that the terms of the Convertible Bond Offer and the Option Lapsing Payment are fair and reasonable so far as the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it) respectively are concerned. Accordingly, we recommend the Convertible Bondholders (other than CRH and parties acting in concert with it) to accept the Convertible Bond Offer.

The Independent Board Committee draws the attention of the Shareholders, the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it) to (i) the letter from the Board; (ii) the Explanatory Statement; and (iii) the letter from Somerley which sets out the factors and reasons taken into account in arriving at its recommendation to the Independent Board Committee, the Shareholders, the Convertible Bondholders and the Optionholders (other than CRH and parties acting in concert with it) each contained in this Document.

Yours faithfully,

Chan Mo Po, Paul

Lin Zongshou

Lui Pui Kee, Francis

Independent Board Committee

LETTER FROM SOMERLEY



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

22 May 2006

*To the Independent Board Committee and
the Independent Shareholders, the Independent Bondholders
and the Independent Optionholders*

Dear Sirs,

**PROPOSAL TO CONSTITUTE
CHINA RESOURCES CEMENT HOLDINGS LIMITED
AS A WHOLLY-OWNED SUBSIDIARY OF
SMOOTH CONCEPT INVESTMENTS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
PROPOSED PRIVATISATION AND WITHDRAWAL OF LISTING OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED
PROPOSED CONDITIONAL CONVERTIBLE BOND OFFER
TO THE CONVERTIBLE BONDHOLDERS
TO ACQUIRE ALL OUTSTANDING CONVERTIBLE BONDS
OF CHINA RESOURCES CEMENT FINANCE LIMITED
PROPOSED CONDITIONAL OPTION LAPSING PAYMENT
TO THE OPTIONHOLDERS**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed privatisation of CRC by way of the Scheme of Arrangement under Section 86 of the Companies Law, the proposed Convertible Bond Offer and the proposed Option Lapsing Payment. Details of the terms of the proposed privatisation are contained in the composite document to the Shareholders, the Convertible Bondholders and the Optionholders dated 22 May 2006 (the “Composite Document”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires. References in this letter to “Appendix” are references to the Appendices contained in the Composite Document.

The Board is comprised of six executive Directors, two non-executive Directors and three independent non-executive Directors. The Independent Board Committee, comprising all three independent non-executive Directors, Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis, has been constituted to advise the Shareholders other than CRH and parties acting in

LETTER FROM SOMERLEY

concert with it (the “Independent Shareholders”), as to what action they should take in response to the Scheme of Arrangement. The two non-executive Directors are not members of the Independent Board Committee in view of their indirect interests in the proposed privatisation. One is an executive director of CRH and the other is a director of China Resources Enterprise, Limited, a subsidiary of CRH. The Independent Board Committee will also advise the Convertible Bondholders and the Optionholders other than CRH and parties acting in concert with it (such Convertible Bondholders and Optionholders are referred to as “Independent Bondholders” and “Independent Optionholders” respectively) as regards the Convertible Bond Offer and the Option Lapsing Payment respectively. Somerley has been approved by the Independent Board Committee to be appointed as the independent financial adviser to advise the Independent Board Committee as regards the terms of the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment.

Somerley is not associated or connected with CRC or CRH or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the terms of the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from CRC or CRH or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors of CRC and CRH Group, which we have assumed to be true, accurate and complete as at the date of this letter. We have reviewed financial information on CRC including audited financial statements for the three years ended 31 December 2005. We have also reviewed the 2006 first quarter management accounts and the management budget for 2006, which have not been reviewed by the auditors. We have also reviewed the trading performance of the Shares on the Stock Exchange and considered the future intentions of Smooth Concept regarding CRC.

We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the proposed privatisation. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Composite Document are true at the date of the Composite Document and will continue to be true at the date of the Court Meeting and the EGM. We have, however, not conducted any independent investigation into the businesses and affairs of CRC Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

TERMS OF THE PROPOSED PRIVATISATION

The proposed privatisation involves the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment.

The Scheme of Arrangement

In summary, the Scheme of Arrangement involves the following principal steps:

- (i) all the Shares will be cancelled and, in consideration thereof, Independent Shareholders will receive for every Share held:

HK\$2.45 in cash

or

one share in Smooth Concept, credited as fully paid up.

Independent Shareholders may elect either the Share Alternative or the Combination Alternative by specifying in the Election Form the number of Shares to which they wish their acceptances to apply and returning the completed Election Form before the Record Time. If no election is made, such Shareholders will receive the Cash Alternative.

CRH announced on 7 April 2006 that it would not increase the consideration payable under the Scheme of Arrangement. After such announcement, under the terms of the Takeovers Code, the consideration payable under the Scheme of Arrangement cannot be increased. If the Scheme of Arrangement fails, a similar proposal cannot be put forward in the following 12 months.

- (ii) all existing Shares in CRC, being 381,863,461 Shares including 270,132,647 Shares held by the CRH Group, 371,436,000 Shares to be issued on conversion from the Convertible Bonds held by Firstsuccess, and any further Shares that may be issued between the Latest Practicable Date and the Record Time will be cancelled and re-issued to Smooth Concept;
- (iii) CRH Group will be issued the same number of shares in Smooth Concept, credited as fully paid, in consideration for the cancellation of those Shares held by CRH Group;
- (iv) in order to finance the Scheme of Arrangement, CRH will subscribe for such number of new shares in Smooth Concept (in addition to the shares in Smooth Concept issued in consideration for the cancellation of the Shares held by CRH Group as at the Record Time) at HK\$2.45 per Share;

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- (v) in order to finance the Convertible Bond Offer and the Option Lapsing Payment, CRH will subscribe for additional shares in Smooth Concept; and
- (vi) the listing of the Shares will be withdrawn immediately upon the Scheme of Arrangement becoming effective following the Effective Date.

Independent Shareholders who elect to receive the Share Alternative or the Combination Alternative should note that their proportionate interests in CRC (held through their shareholdings in Smooth Concept) will be diluted by CRH's subscription of additional shares in Smooth Concept as described in (v) above. In addition, if any Independent Bondholders convert their Convertible Bonds or if any Optionholders exercise their Options, the proportionate interests in CRC of the Independent Shareholders who elect to receive the Share Alternative or the Combination Alternative will, as a result, be further diluted.

The Scheme of Arrangement is subject to a number of conditions, including but not limited to, sanction of the Scheme of Arrangement by the Court and approval of the Scheme of Arrangement (by way of poll) by a majority in number representing not less than three-fourths in value of the Shares of the Independent Shareholders present and voting either in person or by proxy at the Court Meeting to be convened by the Court to consider the Scheme of Arrangement, provided that dissenting votes (taken by poll) against the Scheme of Arrangement at the Court Meeting cast by the Independent Shareholders do not exceed 10% in value of all the Shares held by the Independent Shareholders. As at the Latest Practicable Date, the Independent Shareholders held 111,512,014 Shares, and 10% of such Shares amounted to 11,151,201 Shares.

The Scheme of Arrangement is not subject to the successful implementation of the Convertible Bond Offer nor the Option Lapsing Payment. Details of the complete conditions to which the Scheme of Arrangement is subject are set out in the paragraph headed "Conditions of the Scheme of Arrangement" in the explanatory statement contained in the Composite Document.

The Convertible Bond Offer

CRC has in issue and outstanding HK\$799.9 million principal amount of the Convertible Bonds. The Convertible Bonds are listed on the Stock Exchange but up to the Latest Practicable Date have not yet traded since their listing. The Convertible Bond Offer is conditional on the Scheme of Arrangement becoming effective.

If the Scheme of Arrangement becomes effective, Smooth Concept will offer to acquire all the Convertible Bonds held by the Independent Bondholders on the basis of:

**HK\$4,900 in cash for each HK\$4,000 principal amount of the Convertible Bond
and so in proportion for any lesser or greater principal amount
of the Convertible Bonds held.**

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The consideration for the Convertible Bond Offer is determined based on the consideration of HK\$2.45 per Share payable under the Cash Alternative assuming the HK\$4,000 principal amount of the Convertible Bonds is converted into 2,000 Shares at HK\$2.00 per Share. Payments to Independent Bondholders will be subject to stamp duty as described in the paragraph below headed "Transfer duty and taxation"

Firstsuccess currently holds in excess of 90% in the principal amount of the Convertible Bonds and is accordingly able to pass an extraordinary resolution of the Convertible Bondholders by means of a written resolution to effect, among other things, changes to the maturity date of the Convertible Bonds, or approving any other matter affecting the interests of the Convertible Bondholders as a class. Independent Bondholders should also note that Firstsuccess passed an extraordinary resolution in writing in accordance with the terms and conditions of the Convertible Bonds on 17 May 2006 to suspend, conditional upon the approval of the Shareholders of the Scheme of Arrangement at the Court Meeting, the conversion rights attaching to the Convertible Bonds with effect from 4:00 p.m. on 19 July 2006 until the Effective Date and, conditional upon the Scheme of Arrangement becoming effective, to cancel the conversion rights attaching to the Convertible Bonds. CRC and the issuer of the Convertible Bonds have agreed to the contents of the written resolution. Firstsuccess intends to convert all of its Convertible Bonds into Shares before the Record Time. This conversion will result in the issue of an additional 371,436,000 Shares, which will have the effect of increasing the number of Shares in issue by 97.3%.

If Independent Bondholders convert the Convertible Bonds into Shares prior to 12 June 2006, such Shares will be able to vote at the Court Meeting and the EGM and participate in the Scheme of Arrangement. If the Convertible Bonds are converted into Shares before 4:00 p.m. on 19 July 2006, such Shares can participate in the Scheme of Arrangement. If any Independent Bondholders fail to convert the Convertible Bonds before 4:00 p.m. on 19 July 2006, their Convertible Bonds will no longer be convertible upon the Scheme of Arrangement becoming effective.

If any Independent Bondholders fail to accept the Convertible Bond Offer by returning the Convertible Bond Offer Form on or prior to the Record Time and the Scheme of Arrangement becomes effective, they will only be able to redeem their Convertible Bonds at principal amount upon maturity. This will involve a cash loss of HK\$895 for each HK\$4,000 principal amount of the Convertible Bonds as redemption will be at par (i.e. HK\$4,000) whereas the value of the Convertible Bond Offer is HK\$4,900 (net of HK\$5.0 transfer duty) per HK\$4,000 of principal amount.

Upon the Scheme of Arrangement becoming effective, and if there are sufficient acceptances under the Convertible Bond Offer such that the outstanding amount is less than HK\$30 million which will enable the Company to redeem mandatorily the Convertible Bonds, it is intended to withdraw the listing of the Convertible Bonds on the Stock Exchange. If the Scheme of Arrangement is not approved or lapses, or if acceptances under the Convertible Bond Offer are not sufficient to redeem mandatorily the Convertible Bonds, the listing of the Convertible Bonds on the Stock Exchange will not be withdrawn.

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The Convertible Bond Offer Form is enclosed with the Composite Document. Independent Bondholders should read it carefully.

The Option Lapsing Payment

As at the Latest Practicable Date, there were 34,440,000 outstanding Options with exercise prices being HK\$1.66 and HK\$2.325 per Option. As at the Latest Practicable Date, an aggregate of 19,100,000 Options, representing 55% of the total outstanding Options, were held by the Directors. Details of the Directors' interests in the Options are set out in Appendix III.

If Options are exercised after the date of the Announcement and new Shares are issued pursuant to such exercise prior to 12 June 2006, such Shares will be able to vote on the Scheme of Arrangement. If the Scheme of Arrangement is sanctioned by the Court and becomes effective, a notice will be sent to all Optionholders, pursuant to the terms and conditions of the Share Option Scheme, informing them that if they wish to participate in the Scheme of Arrangement, they can exercise all outstanding Options held by them at any time up to 4:00 p.m. on 19 July 2006. Any outstanding Options not exercised prior to 4:00 p.m. on 19 July 2006 will automatically lapse in accordance with the terms of their issue. Assuming the Scheme of Arrangement becomes effective, Smooth Concept will pay the Option Lapsing Payment to all Optionholders.

If the Scheme of Arrangement is not sanctioned by the Court or otherwise does not become effective, all unexercised Options will remain unaffected and will continue to be exercisable during their relevant exercise periods pursuant to the terms of the Share Option Scheme.

Transfer duty and taxation

As neither the Scheme of Arrangement nor the Option Lapsing Payment involve sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Shares or the Options upon the Scheme of Arrangement becoming effective. However, Independent Bondholders accepting the Convertible Bond Offer will be required to bear their part of the stamp duty pursuant to the Stamp Duty Ordinance. Currently, the duty is charged at the rate of 0.2% of the value of the Convertible Bonds transferred (the buyer and the seller each paying half of such stamp duty). This means stamp duty of HK\$5.0 is due from Convertible Bondholders on transfer of every HK\$4,000 principal amount of the Convertible Bonds. Smooth Concept will deduct such stamp duty from the consideration payable to the Independent Bondholders and will pay such stamp duty on behalf of the Independent Bondholders. Consequently, Independent Bondholders will receive HK\$4,895 (net) for every HK\$4,000 principal amount of the Convertible Bonds.

Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme of Arrangement and, in particular, whether the receipt of the Cash Alternative would make such Shareholder liable to taxation in Hong Kong or in other jurisdictions.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee with regard to the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the proposed privatisation

Background

CRC, which holds the cement and concrete interests of CRH, was listed on the Stock Exchange on 29 July 2003 through a distribution in specie of CRC Shares to the then shareholders of China Resources Enterprise, Limited. The CRC Group is now principally engaged in the manufacture of cement, primarily at its plants in Nanning, Pingnan and Guigang, Guangxi Zhuang Autonomous Region, the PRC. The cement manufactured in these plants is sold primarily to customers in the Pearl River Delta region. CRC Group is also engaged in the production of concrete and related products in Hong Kong and Southern China and in the manufacture and sale of precast products.

The Shares were listed by way of introduction. No new funds were raised by CRC as part of its listing. Since then, CRC Group has substantially increased its production capacity through both expansion of existing plants and through acquisitions, notably of China Resources Cement (Pingnan) Limited, which is now wholly owned. CRC plans to achieve an installed production capacity of 15 million tonnes of cement and 10 million cubic metres of concrete per annum by 2008. Upon completion of its expansion plan, CRC Group will become one of the largest cement and concrete producers in the PRC and one of the dominant cement producers in Guangxi Zhuang Autonomous Region supplying the Pearl River Delta region.

Reasons for the proposed privatisation

The expansion and acquisition discussed above require substantial investment, part of which has been funded by CRH Group through subscription of approximately HK\$743 million of the HK\$800 million Convertible Bonds issued in 2005. Although the Convertible Bonds were offered to the CRC public shareholders, in the event only an amount of HK\$57 million (equivalent to approximately 7% of the issue) was subscribed by them. The management expects that in order to achieve the targeted installed production capacity as stated above, further investment of approximately HK\$2 billion will be needed. As CRC has tried and failed to raise substantial equity capital from the market since listing, we consider that the public listing of the Shares on the Stock Exchange has not been effective from a fund-raising point of view.

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Turnover of CRC Group during 2003 to 2005 has grown largely in line with the expansion of CRC Group's production capacity. Segment profit and net profit attributable to Shareholders however have dropped substantially in 2005. Segment profit margin for cement products was reduced from 15.5% in 2004 to 7.0% in 2005, while net profit attributable to Shareholders fell sharply from approximately HK\$82.4 million in 2004 to HK\$12.5 million in 2005.

The unsatisfactory business performance of CRC has had a dampening effect on the price and the trading volume of the Shares. The average daily and monthly trading volume of the Shares remained thin at about 212,034 Shares and 4,417,382 Shares respectively (representing approximately 0.06% and 1.16% respectively of the issued share capital of CRC as at the Latest Practicable Date) for the 12-month period before the Announcement. In addition, the Shares have consistently traded at substantial discounts to the net asset value during the same period. In our opinion, this makes it difficult for CRC to raise equity capital from the market without significant dilution to its net asset value per Share.

As stated in the Letter from the Board, the Scheme of Arrangement is designed to give Independent Shareholders consideration for their Shares which, CRH believes, is substantially higher than would be justified by CRC's trading performance and the outlook for the cement and concrete industry in PRC in the near future. The Scheme of Arrangement also provides Independent Shareholders who wish to retain their investment in CRC an opportunity to do so, through Smooth Concept. The shares of Smooth Concept, which is incorporated in the British Virgin Islands, will not be listed on the Stock Exchange or any other stock exchange.

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2. Past financial performance of CRC Group

The following table sets out the turnover, segment results, consolidated results and dividend of CRC Group for the period from 13 March 2003 (date of incorporation) to 31 December 2003 and the two years ended 31 December 2005:

	Year ended 31 December		Period ended
	2005	2004	31 December
	(Audited)	(Audited and restated)	(Audited)
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover			
Cement	944.4	838.4	315.1
Concrete (<i>Note a</i>)	673.0	500.2	202.5
Precast products (<i>Note a</i>)	198.0	214.0	68.8
Inter-segment sales	(131.0)	(114.2)	(42.6)
	<u>1,684.4</u>	<u>1,438.4</u>	<u>543.8</u>
Segment results			
Cement	66.4	129.6	33.7
Concrete (<i>Note a</i>)	42.9	31.7	16.7
Precast products (<i>Note a</i>)	(33.9)	(1.1)	4.2
	<u>75.4</u>	<u>160.2</u>	<u>54.6</u>
Segment profit margin (<i>Note b</i>)			
Cement	7.0%	15.5%	10.7%
Concrete	6.4%	6.3%	8.2%
Precast products	N/A	N/A	6.1%
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (<i>Note c</i>)			
	213.9	237.3	82.9
EBITDA margin	12.7%	16.5%	15.2%

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	Year ended 31 December		Period ended
	2005	2004	31 December
	(Audited)	(Audited and restated)	(Audited)
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Interest income	6.3	1.0	0.8
Gain on change in fair value of investment property	27.2	–	–
Unallocated corporate expenses	(26.8)	(24.7)	(7.9)
Finance costs	(55.0)	(21.6)	(10.0)
Share of result of an associate before tax	–	–	(3.4)
	<u> </u>	<u> </u>	<u> </u>
Profit before taxation	27.1	114.9	34.1
Taxation	(10.3)	(4.6)	(3.3)
	<u> </u>	<u> </u>	<u> </u>
Profit for the year/period	<u>16.8</u>	<u>110.3</u>	<u>30.8</u>
	<u> </u>	<u> </u>	<u> </u>
Net profit margin	1.0%	7.7%	5.7%
Attributable to			
Shareholders	12.5	82.4	23.5
minority interests	4.3	27.9	7.3
	<u> </u>	<u> </u>	<u> </u>
	<u>16.8</u>	<u>110.3</u>	<u>30.8</u>
	<u> </u>	<u> </u>	<u> </u>
Dividend	–	19.1	–
	<u> </u>	<u> </u>	<u> </u>

Notes:

- (a) Segment turnover and segment results of the precast product business were previously included in those of the concrete segment for the period ended 31 December 2003 and have not been previously published. Such information is provided by management of CRC.
- (b) Segment profit margin is calculated by dividing the gross sales of each business segment by the segment results of the respective business segment.
- (c) EBITDA is calculated by adding back finance costs, taxation, depreciation of fixed assets, amortisation of goodwill, amortisation of mining rights and amortisation of prepaid rentals from net profit figures as reported in CRC's annual reports.

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(i) *Analysis of segment turnover and results*

CRC Group is engaged in the manufacture of cement, the production of concrete and related products and the manufacture and sale of precast products. The principal markets for CRC Group's products are the Peart River Delta and Hong Kong. As illustrated in the summary above, CRC Group experienced an overall growth in turnover of 17.1% for the year ended 31 December 2005 as compared with the corresponding period.

Cement

The sales of cement increased moderately by 12.7% for the year ended 31 December 2005 as compared with 2004. However, with the significant increase in cost of coal, a major cost element in cement manufacture, the production cost of cement also increased. Coupled with depressed selling prices as a result of the austerity measures implemented by the PRC Government and the intense market competition, the results of the cement segment decreased by 48.8% from HK\$129.6 million in 2004 to HK\$66.4 million in 2005 while segment profit margin also decreased from 15.5% in 2004 to 7.0% in 2005.

Concrete

Hong Kong is the major market for CRC's ready mixed concrete products. Sales of ready mixed concrete in Hong Kong remained sluggish, whereas PRC sales of ready mixed concrete recorded a strong growth in 2005. On balance, the concrete segment recorded an increase of 35.3% in 2005 from HK\$31.7 million in 2004 while the segment profit margin remained fairly stable.

Precast products

Precast products are elements of building or civil projects (including constructions of bridges and railways) cast in a mould in a casting yard remote from the construction site, i.e. 'pre' cast and thereafter delivered to the construction site for incorporation within the building or civil structure. The precast products can be made in a wide variety of shapes, sizes, strengths, colours, textures and finishes and reinforced with either steel reinforcement bars or with glassfibre.

Sales of precast products amounted to approximately HK\$198.0 million for the year ended 31 December 2005, representing a decrease of 7.5% from HK\$214.0 million for 2004. Segment results deteriorated from loss of HK\$1.1 million to loss of HK\$33.9 million. The poor performance of the precast product segment was a result of the increase in production and transportation costs, which were driven by rising steel and oil prices. Owing to the fixed price nature of precast contracts, CRC Group could not transfer the cost increased to its customers and therefore suffered losses in this segment.

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(ii) EBITDA

The downward trend demonstrated by EBITDA margin was in line with that of segment profit margin. EBITDA margin decreased moderately from 16.5% for the year ended 31 December 2004 to 12.7% for year ended 31 December 2005.

(iii) Net profit

CRC Group's net profit dropped substantially from HK\$110.3 million for the year ended 31 December 2004 to HK\$16.8 million for the year ended 31 December 2005. In addition to the pressure on pricing and the rise in production and distribution costs, CRC Group incurred finance costs of approximately HK\$55 million. The finance costs include the interest expense attributable to the zero-coupon Convertible Bonds and the increased bank borrowings. CRC recorded a gain on change in fair value of investment property of HK\$27.2 million and an increase in deferred tax liabilities of HK\$9.0 million in relation to such gain. If such gain (net of deferred tax liabilities) were not taken into account, CRC Group would have recorded a net loss of HK\$1.4 million for the year ended 31 December 2005.

(iv) Dividend

CRC declared and paid a final dividend of HK5 cents per Share for the year ended 31 December 2004 which amounted to total payment of approximately HK\$19.1 million to Shareholders. No dividend was declared for the year ended 31 December 2005.

It is unclear whether CRC's performance will improve to the extent that would justify a dividend payment in the near future.

3. Prospects of CRC Group

The CRC Group has not made a forecast of profit for the year ending 31 December 2006. However, we have reviewed a management budget for 2006 and discussed with the management the principal factors which in their view currently affect CRC Group's profit margin.

In the last two years, conditions in the building material sector in the PRC have changed significantly due principally to (i) measures imposed by the PRC Government to restrain excessive investment in fixed assets; (ii) market competition driving down the selling price; and (iii) substantial increase in production and distribution costs due principally to increased coal and oil prices.

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PRC macroeconomic control

The measures to restrain investment in fixed assets were part of administrative policies to curb the overheating economy. Such measures have, in CRC's view, significantly reduced the demand for cement, concrete and other building materials. In 2005, the growth of the PRC's GDP was approximately 8%. It is reported recently that the growth of the PRC's GDP for first quarter of 2006 was approximately 10%. On 17 April 2006, a notice was published by the State Economic Development and Planning Commission together with seven other government agencies on policies to expedite the structural change of cement industry, in view of the oversupply of cement in the PRC. According to such notice, it is the intention of the PRC Government to restrain the output of cement by, among other measures, forcing closure of cement operations with low output, low energy efficiency and low environmental protection standard. The notice also stated that the PRC Government would encourage consolidation.

Administrative measures often require considerable time to implement and their effectiveness in the short term may not be apparent. In a press release of the State Economic Development and Planning Commission dated 25 April 2006, it was stated that the unsatisfactory results of curbing the overproduction of cement in 2005 were partly attributable to ineffective implementation of the policies in certain regions.

In view of the above, we consider, in the near term, the oversupply of cement is likely to remain a constraint on profitability and the pace of the recovery of cement industry is unclear.

The administrative measures are generally perceived to be beneficial to large cement manufacturers with higher standard plants in the long run as implementation of which may result in releasing market share currently secured by smaller cement manufacturers. In our opinion, the benefit of eliminating competition from small cement manufacturers may be negated by intensified competition among large cement manufacturers to capture the released market share.

Market competition

The PRC cement industry has experienced rapid growth in past years. Cement companies have been expanding their production capacity, which contributed to an oversupply of cement as discussed above. As the implementation of the administrative policies to scale down the output of the cement industry may take considerable time and their effectiveness in the near term is uncertain, we consider market competition will continue to depress the price of cement in the near term. In addition, more foreign cement and concrete operators have established a presence in the PRC through

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acquisition of PRC cement operations in the past year (such as the acquisition of interests in Huaxin Cement Company Limited by Holcim Limited in March 2006 and in Jidong Cement Fufeng Company Limited by Heidelberg Cement AG in September 2005). On this basis, we consider competition may intensify further.

Production and distribution costs

One of the major cost drivers for the production cost of cement, concrete and precast products is the coal price which increased substantially in 2005. According to the “China’s domestic demand for coal forecast” (中國煤炭需求(國內)預測模型) issued by Development Research Centre of the State Department (國務院發展研究中心) in December 2005, the price for coal will remain at a high level for 2006.

Based on discussion with management, distribution costs are principally influenced by high oil prices. Given there is little sign that oil prices will return to low level in the near future, we consider that distribution costs are likely to stay at a similar high level.

In aggregate, we consider that production and distribution costs will continue to put pressure on the profitability of CRC Group in the near term.

Intention of Smooth Concept

Smooth Concept is wholly owned by CRH and was established for the purpose of implementing the proposed privatisation. Mr. Wong Siu Ping and Mr. Lin Guolong, both being directors of certain subsidiaries in the unlisted group of CRH Group, were appointed as directors of Smooth Concept.

It is the intention of CRH Group to maintain the existing businesses of CRC Group following the Scheme of Arrangement becoming effective, and Smooth Concept will remain a holding company of CRC. CRH Group does not intend to introduce any major changes (including redeployment of fixed assets) to the existing operating and management structure of CRC Group or to make any changes to existing senior management or to discontinue the employment of any of the employees of CRC Group. Consequently, there should be no material change to CRC Group’s businesses or personnel as a result of the Scheme of Arrangement becoming effective. Further details of future intentions of CRC are set out in the explanatory statement as contained in the Composite Document.

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4. Assets, cash, borrowings, and consolidated net asset value of CRC Group

(i) *Assets*

The audited consolidated balance sheets of CRC Group as at 31 December 2005 and 31 December 2004 with explanatory notes are set out in Appendix I. Total assets and net assets as at those dates may be analysed as follows:

	As at 31 December			
	2005		2004	
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>
Non-current assets				
Fixed assets	2,850.9	59.5	1,338.5	56.9
Intangible assets	120.5	2.5	15.8	0.7
Other assets	550.8	11.5	153.9	6.5
	3,522.2	73.5	1,508.2	64.1
Current assets				
Stocks	176.9	3.7	102.4	4.4
Trade and other receivables	799.6	16.7	486.0	20.6
Cash and bank deposits	294.0	6.1	257.2	10.9
	1,270.5	26.5	845.6	35.9
Total assets	4,792.7	<u>100.0</u>	2,353.8	<u>100.0</u>
<i>Less:</i>				
Bank borrowings and other loans	1,985.9		733.5	
Convertible Bonds	710.0		–	
Trade and other payables and liabilities	782.7		476.4	
	1,314.1		1,143.9	
Net assets	<u>1,314.1</u>		<u>1,143.9</u>	
Attributable to				
Shareholders	1,269.6		1,073.1	
minority interests	44.5		70.8	
	1,314.1		1,143.9	

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Fixed assets

Fixed assets represented 59.5% of CRC Group's total assets as at 31 December 2005 which included principally land and buildings, silo terminals, plant and machinery, barge and pier and construction in progress which are used in CRC Group's manufacture and production of cement, concrete and precast products. The aggregate net book value of CRC Group's land and buildings as at 31 December 2005 amounted to approximately HK\$490.2 million. Construction in progress of cement production lines at Guigang, Guangxi, and clinker production lines at Pingnan, Guangxi and Hongshuihe, Guangxi, represented a net book value of approximately HK\$1,098.9 million as at 31 December 2005.

The net book value of plant and machinery included NSP cement and clinker production lines and other grinding facilities and machinery amounted to approximately HK\$805.1 million as at 31 December 2005. CRC Group is still in the process of constructing further NSP cement and clinker production lines at Guigang, Pingnan and Hongshuihe, Guangxi.

CRC Group has invested in silo terminals for storage of cement in transit along Pearl River and barges and piers for logistic movement of raw materials and cement products along Xijiang River. As at 31 December 2005, the aggregate net book value of silo terminals, barges and piers of CRC Group amounted to approximately HK\$260.1 million.

Other fixed assets mainly comprise furniture and equipment, motor vehicles, trucks and mixers, and leasehold improvement, the net book value of which amounted to approximately HK\$196.5 million as at 31 December 2005.

Intangible assets

Intangible assets comprise goodwill and mining rights. The increase of HK\$104.7 million during 2005 was primarily attributable to acquisition of subsidiaries by CRC.

Stocks

The majority of the stocks as at 31 December 2005 was made up of raw materials and consumables. The remaining was work in progress and finished goods. As advised by the management, the substantial increase in stocks as at 31 December 2005 was due to the addition of two new cement plants in Guigang and Pingnan, which resulted in more coal and raw materials being kept in stock.

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Trade and other receivables

Trade receivables represented majority of this item. The remaining was made up of other receivables and retention monies receivable. CRC Group has not experienced any significant recoverability problems in respect of its receivables in the past years.

(ii) *Cash and borrowings*

Cash/Convertible Bonds

Despite an improvement in CRC Group's cash position from approximately HK\$257.2 million as at 31 December 2004 to approximately HK\$294.0 million as at 31 December 2005, CRC Group's borrowings (including bank borrowings, other loans and the Convertible Bonds) have increased significantly from approximately HK\$733.5 million as at 31 December 2004 to HK\$2,695.9 million as at 31 December 2005. This was principally due to the issue of the Convertible Bonds and the raising of further bank loans to finance the expansion plan of CRC. Proceeds from the issue of the Convertible Bonds of approximately HK\$797 million were primarily used to finance the acquisition of majority interest in a joint venture in Pingnan, Guangxi and the development of a production plant in Guigang, Guangxi.

The outstanding amount of the Convertible Bonds shown on the 2005 balance sheet at HK\$710.0 million represented the liability component of the Convertible Bonds calculated according to the relevant Hong Kong Accounting Standard.

Bank borrowings

In addition to the issuance of the Convertible Bonds in 2005, CRC has raised bank loans of approximately HK\$1,400 million to finance its development projects such as construction of NSP cement and clinker production lines and new concrete batching plants which require large capital investment. The net gearing ratio of CRC increased from approximately 44% in 2004 to 189% in 2005 as a result, which we consider high as compared to the net gearing of the Comparable Companies (as defined in the paragraph headed "Comparison with comparable companies" below) which ranges from approximately 88% to less than 1% based on their latest published financial statements. Such high net gearing ratio, according to the management of CRC, has hindered CRC Group's ability in obtaining further bank borrowings to finance its expansion, and is likely to require the issue of further equity.

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(iii) Net asset value (“NAV”)

As disclosed in the 2005 annual report of CRC, the audited consolidated NAV as at 31 December 2005 was approximately HK\$1,269.6 million (approximately HK\$3.32 per Share based on 381,863,461 Shares in issue as at the Latest Practicable Date). We note a difference of approximately HK\$315.4 million between the net book value of certain assets (including land and buildings, prepaid lease payments, investment property and silo terminals) and the value of such assets as at 31 March 2006 as shown in the valuation report as set out in Appendix II (the “Revaluation Difference”). If the audited consolidated NAV as at 31 December 2005 were adjusted for the Revaluation Difference, the adjusted consolidated NAV would be approximately HK\$954.2 million (approximately HK\$2.50 per Share).

As set out in the reconciliation of property interests in Appendix I, approximately HK\$228.1 million of such difference relates to certain assets used in the business which CRC Group has not obtained title certificates and for this reason are considered of no value by the valuer. The balance of HK\$87.3 million arose as a result of the different bases of valuation relied upon by the valuer and CRC Group. The valuation of CRC Group’s property assets as at 31 March 2006 as set out in the property valuation report in Appendix II is based on open market values whereas CRC Group accounts for (i) fixed assets at cost less depreciation and accumulated impairment loss, if any, (ii) investment property using the fair value model and (iii) prepaid lease payments on a straight-line basis over the periods of the respective prepaid lease payments.

With regard to CRC Group’s accounting policy on impairment of fixed assets, at each balance sheet date, CRC Group will consider both internal and external sources of information to assess whether there is any indication that the fixed assets are impaired. The Board is of the view that the Revaluation Difference is not a relevant indicator for the assessment of impairment in value of such assets due to the reasons stated above and therefore, no asset impairment is required. In the context of the relevant assets being deployed in the on-going business of CRC Group, we consider that it is justified for the Board to take a more commercial approach than the valuer and this is the more relevant basis for Independent Shareholders to consider in relation to the Cash Alternative.

On the basis that the Convertible Bonds were fully converted and the outstanding Options were fully exercised, the consolidated NAV of CRC Group would be increased by approximately HK\$784.5 million from approximately HK\$1,269.6 million to approximately HK\$2,054.1 million and the number of issued Shares would be increased by 434,384,000 Shares from 381,863,461 Shares to 816,247,461 Shares. Accordingly, the adjusted consolidated NAV per Share on a fully-diluted basis would be approximately HK\$2.52. On the same basis, the consolidated NAV of CRC Group, taking into account the Revaluation Difference, would increase from approximately HK\$954.2 million to approximately HK\$1,738.7 million. Accordingly, the adjusted consolidated NAV per Share on a fully-diluted basis, taking into account the Revaluation Difference, would be approximately HK\$2.13 per Share.

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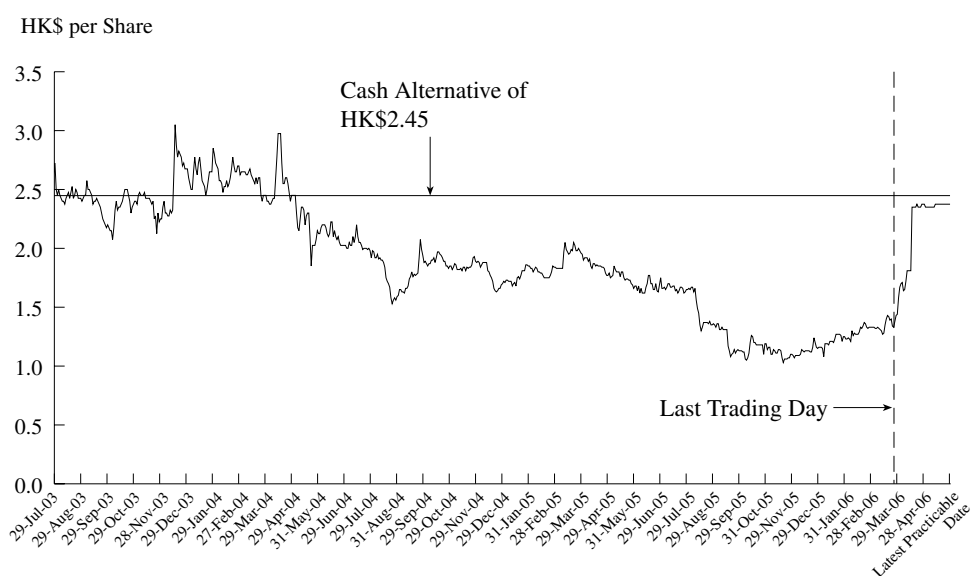
As the conversion price of the Convertible Bonds (presently at HK\$2 per Share) and the exercise prices of the Options are below the Cash Alternative of HK\$2.45 per Share, we have principally used the fully-diluted NAV per Share of HK\$2.52 in evaluating the terms of the proposed privatisation.

5. Share price and trading volume of the Shares

(i) Share price performance

The chart below illustrates the daily closing prices per Share as quoted on the Stock Exchange from 29 July 2003 (the date of commencement of dealings in the Shares on the Stock Exchange) up to and including the Latest Practicable Date (the "Period").

Chart 1



Source: Bloomberg

Since the listing of the Shares on 29 July 2003 up to the Last Trading Day, the Shares have been traded within a range of HK\$0.99 to HK\$3.075 per Share, with a weighted average price during this period of HK\$2.32 per Share. During the five-month period from end November 2003 to end March 2004, the Share price was generally above the Cash Alternative of HK\$2.45, but not since then. On 29 April 2004, the Share price closed at HK\$2.3, since when it has generally shown a declining trend with occasional rises which however were not sustained. From mid July 2004 up to and including the Last Trading Day, the Share price has closed below HK\$2.0. From 1 January 2005 to the Last Trading Day, the weighted average traded price per Share was HK\$1.56.

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The closing price of the Shares rose from HK\$1.81 on the Last Trading Day to HK\$2.35 on 3 April 2005, the day of release of the Announcement. In our opinion, such rise in Share price reflects the terms of the proposed privatisation. Since the release of the Announcement, the closing price of the Shares has fluctuated within a narrow range between HK\$2.35 to HK\$2.375. As at the Latest Practicable Date, the Share price closed at HK\$2.375. Given the Share price has remained below HK\$2.3 since late April 2004 until the release of the Announcement as described above, we consider the market price of the Shares is unlikely to remain at the current level if the Scheme of Arrangement is withdrawn or lapses.

(ii) Trading volume of the Shares

The following table sets out the total monthly trading volume of the Shares during the Period :

	Total monthly trading volume of the Shares <i>(Note a)</i>	% of the total monthly trading volume of the Shares to the total issued Shares <i>(Note b)</i>	% of total monthly trading volume of the Shares to public float <i>(Note c)</i>
2003			
July	48,094,450	13.26	51.90
August	54,923,942	15.14	59.27
September	26,240,600	7.23	28.31
October	29,305,562	8.08	31.62
November	15,975,714	4.40	17.24
December	59,430,973	16.38	64.13
2004			
January	16,026,643	4.42	17.29
February	30,155,224	8.31	32.54
March	12,776,346	3.52	13.79
April	19,493,761	5.37	21.03
May	3,422,303	0.94	3.69
June	1,645,605	0.45	1.78
July	4,090,867	1.13	4.41
August	5,454,226	1.50	5.89
September	22,444,646	6.19	24.22
October	19,735,232	5.44	21.30
November	8,629,585	2.38	9.31
December	6,248,906	1.72	6.74

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	Total monthly trading volume of the Shares <i>(Note a)</i>	% of the total monthly trading volume of the Shares to the total issued Shares <i>(Note b)</i>	% of total monthly trading volume of the Shares to public float <i>(Note c)</i>
2005			
January	4,576,214	1.20	4.10
February	2,386,598	0.62	2.14
March	12,956,869	3.39	11.60
April	1,921,866	0.50	1.72
May	1,018,348	0.27	0.91
June	3,845,543	1.01	3.44
July	1,710,018	0.45	1.53
August	8,678,146	2.27	7.77
September	6,112,555	1.60	5.47
October	915,465	0.24	0.82
November	2,551,060	0.67	2.28
December	2,324,267	0.61	2.08
2006			
January	3,482,030	0.91	3.12
February	4,418,460	1.16	3.95
March	16,030,822	4.20	14.35
April	38,963,288	10.20	34.87
1 May to the Latest Practicable Date	6,951,077	1.82	6.22

Notes:

- (a) Source : Bloomberg.
- (b) Based on the number of Shares in issue as at the end of each financial year, being 362,807,461 Shares as at 31 December 2003 and 31 December 2004, and 381,863,461 Shares as at 31 December 2005. For monthly trading volume in 2006, calculation is based on 381,863,461 Shares in issue as at the Latest Practicable Date.
- (c) Based on the number of Shares in issue as set out in (b) above excluding the 270,132,647 Shares held by CRH and Commotra, a wholly-owned subsidiary of CRH, during the Period.

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The trading of the Shares was active during the first six months following listing in July 2003. The trading remained active for the first four months in 2004, but after the release of the 2003 annual results, the trading volume diminished. The trading volume in September and October 2004 increased, possibly due to the release of interim results for the first half of 2004 in mid September, which recorded a substantial increase as compared to the corresponding period in 2003. From November 2004 to February 2006, the trading of the Shares remained relatively inactive except for March 2005 when CRC announced the acquisition of China Resources Cement (Pingnan) Limited. The sudden surge in the trading volume in April 2006 was likely to be due to the release of the Announcement on 3 April 2006.

Given the generally thin trading volume of the Shares in the past 18 months, in our view, the Scheme of Arrangement represents a convenient opportunity for the Independent Shareholders as a body to dispose of their entire holdings through the Cash Alternative if they so wish.

(iii) Cash Alternative compared to Share price

The Cash Alternative of HK\$2.45 per Share represents:

- a premium of approximately 35.4% over the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 65.5% over the average closing price of approximately HK\$1.48 per Share based on the daily closing prices as quoted on Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 57.1% over the weighted average traded price, weighted by the number of Shares traded, of HK\$1.56 per Share during the period commencing 1 January 2005 and ending on the Last Trading Day;
- a premium of approximately 5.6% over the weighted average traded price of HK\$2.32 per Share for the entire period since the Shares were listed on the Stock Exchange on 29 July 2003 until the Last Trading Day; and
- a premium of approximately 3.2% over the closing price of HK\$2.375 per Share as at the Latest Practicable Date.

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- (iv) *Cash Alternative compared to the adjusted consolidated NAV and the adjusted consolidated net tangible asset value (“NTAV”) :*

	As at 31 December 2005			
	Adjusted consolidated NAV per Share (with the Revaluation Difference taken in account) HK\$ <i>(Note)</i>	Adjusted consolidated NTAV per Share (with the Revaluation Difference taken in account) HK\$ <i>(Note)</i>	Adjusted consolidated NAV per Share (with the Revaluation Difference taken in account) HK\$	Adjusted consolidated NTAV per Share (with the Revaluation Difference taken in account) HK\$ <i>(Note)</i>
Fully diluted				
– on the basis of 816,247,461				
Shares in issue	2.52	2.37	2.13	1.98
(Discount)/Premium of the Cash Alternative	(2.8%)	3.4%	15.0%	23.7%

Note: Intangible assets of approximately HK\$120.6 million are excluded in arriving at this figure.

As the conversion price of the Convertible Bonds of HK\$2 per Share is below the Cash Alternative of HK\$2.45 per Share, we consider it is more realistic to adopt the adjusted consolidated NAV per Share and the adjusted consolidated NTAV per Share on a fully-diluted basis when evaluating the Cash Alternative. On a fully-diluted basis, the Cash Alternative of HK\$2.45 per Share represents a discount of approximately 2.8% to the adjusted consolidated NAV per Share and a premium of approximately 3.4% over the adjusted consolidated NTAV per Share. If the Revaluation Difference were taken into account, the Cash Alternative of HK\$2.45 per Share would represent a premium of approximately 15.0% over the adjusted consolidated NAV per Share and a premium of 23.7% over the adjusted NTAV per Share.

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(v) *Past market price compared to adjusted consolidated NAV per Share*

We have compared the closing price of the Shares against the adjusted consolidated NAV per Share since 18 March 2004, the date on which CRC announced its first results as a public company. We have assumed that such figures for the adjusted consolidated NAV per Share were generally available to the market from the date of release of the relevant annual and interim reports of CRC although such figures for the adjusted consolidated NAV per Share might not have been explicitly stated in those announcements.

	Adjusted consolidated NAV per Share [#] HK\$	Closing price per Share		Premium over/ (discount to) adjusted consolidated NAV per Share	
		High HK\$	Low HK\$	Lowest %	Highest %
18 March 2004* –					
8 September 2004	2.69	2.975	1.530	9.6	(43.1)
9 September 2004* –					
27 February 2005	2.80	2.075	1.630	(25.9)	(41.8)
28 February 2005* –					
1 September 2005	2.89	2.050	1.300	(29.1)	(55.0)
2 September 2005*					
– 9 March 2006	2.45	1.430	1.030	(41.6)	(58.0)
10 March 2006* –					
28 March 2006	2.52	1.810	1.330	(28.2)	(47.2)

Notes:

* Being dates on which CRC released its annual or interim results.

The adjusted consolidated NAV figures are based on the consolidated NAV and number of issued Shares of CRC as disclosed in CRC's annual or interim reports (which were available after the date of release of the relevant annual or interim results announcements) as adjusted for the exercise of the Options and/or the conversion of the Convertible Bonds (as the case may be) on the assumption that the Options were fully exercised and/or the Convertible Bonds were fully converted during the relevant periods.

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Based on the analysis set out above, save for 18 March 2004, the date on which CRC announced its first results, the Shares have been consistently traded at significant discounts to their underlying adjusted consolidated NAV per Share for the period from 18 March 2004 to the Last Trading Day. The discounts during the period under review ranged from 25.9% to 58.0%. In view of the substantial discounts traded throughout the period under review, in our opinion, it is unlikely that in the absence of the Scheme of Arrangement such discount will narrow to approximately 2.8% discount to the adjusted consolidated NAV represented by the Cash Alternative of HK\$2.45 per Share.

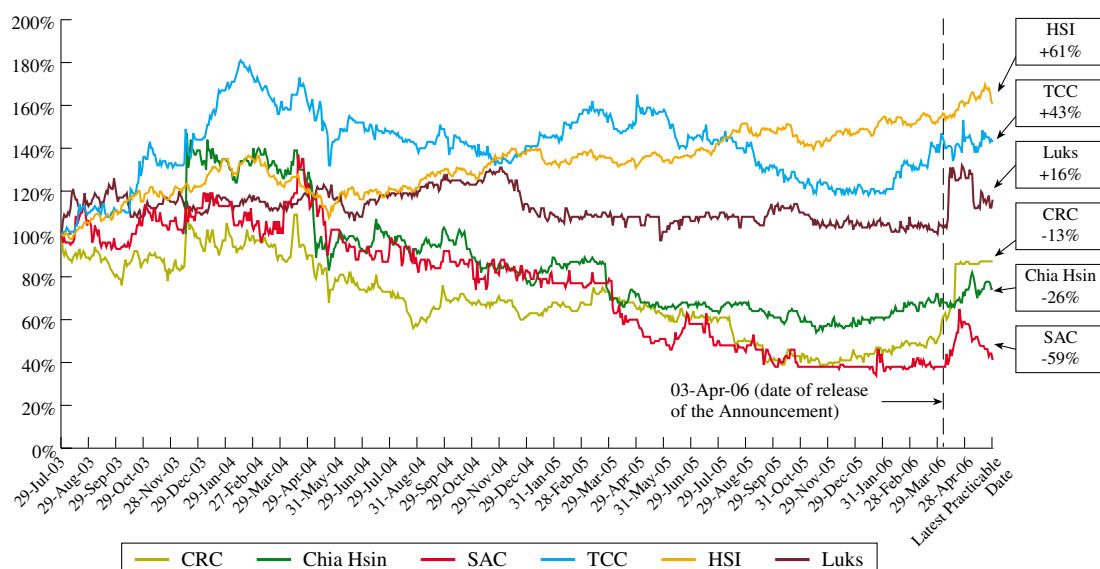
6. Comparison with comparable companies

We have reviewed all the companies listed in Hong Kong which are engaged in the manufacture of cement, concrete and/or related products. We have identified six such companies, namely Anhui Conch Cement Company Limited (“Anhui Conch”), China National Building Material Co., Ltd. (“CNB”), Luks Industrial (Group) Limited (“Luks”), Chia Hsin Cement Greater China Holding Corporation (“Chia Hsin”), Shanghai Allied Cement Limited (“SAC”) and TCC International Holdings Limited (“TCC”) (excluding Anhui Conch and CNB, collectively referred to as “Comparable Companies” below), the turnover of which is mostly contributed from their cement operations although they have certain differences in their mix of business and operations. We have not included Anhui Conch in our analysis below as we consider Anhui Conch is not an appropriate comparable given its market capitalisation is over 10 times larger than that of CRC and the Comparable Companies. CNB is also excluded as over 70% of its turnover is attributable to sales of products other than cement such as lightweight building materials and glass fiber products.

The chart below illustrates the share price performance of the Comparable Companies and CRC and the performance of the Hong Kong Hang Seng Index (“HSI”) during the Period:

(a) Comparison of price performance

Chart 2



Source: Bloomberg

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As illustrated in the above chart, the Share price of CRC during most of the time since its listing has under-performed as compared with the share prices of the Comparable Companies and the HSI.

(b) Comparison of closing price per share to consolidated NAV per share

The table below illustrates the comparison of the share price of the Comparable Companies and CRC to their respective underlying consolidated NAV per Share:

	Closing price per share as at the Latest Practicable Date <i>HK\$</i> <i>(Note 1)</i>	Audited consolidated NAV per share <i>HK\$</i> <i>(Note 1)</i>	Discount of closing share price to consolidated NAV per share %
Luks (stock code: 366)	1.23	2.13	42.3
Chia Hsin (stock code: 699)	1.10	1.39	20.9
SAC (stock code: 1060)	0.214	0.40	46.5
TCC (stock code: 1136)	1.30	1.52	14.5
CRC <i>(Note 2)</i>	1.81	2.52	28.2
The Cash Alternative <i>(Note 3)</i>			
– fully-diluted basis	2.45	2.52	2.8

Notes:

(1) Source: Bloomberg.

The audited consolidated NAV per share for the Comparable Companies and CRC is derived from their latest published annual reports for the year ended 31 December 2005. US dollars and Renminbi are taken at the rates of HK\$1.00 = RMB1.06 and HK\$7.78=USD1.00 for illustration purpose.

(2) We have taken the closing price of the Shares on the Last Trading Day. We have not referred to the closing price of the Shares on the Latest Practicable Date because, in our opinion, it is unlikely that the recent significantly higher price level of the Shares will be sustained if the Scheme of Arrangement is withdrawn or lapses.

The adjusted consolidated NAV per Share on a fully-diluted basis as described in section 5 (iv) above is used.

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- (3) Being the Cash Alternative of HK\$2.45 per Share.

All Comparable Companies were traded at a discount to consolidated NAV per share in the range of 14.5% to 42.3%. The discount of approximately 28.2% represented by the closing price of the Share on the Last Trading Day falls within this range.

At the Cash Alternative of HK\$2.45, the Share is rated at a small discount of 2.8% on a fully-diluted basis. In the absence of the Scheme of Arrangement and having taken into consideration the past financial performance of CRC Group and the historical discount pattern of the Shares as discussed in section 5 (v) above, in our opinion, it is unlikely that the discount to the underlying net asset value of 28.2% represented by the closing price of the Share on the Last Trading Day would be further narrowed to the 2.8% represented by the Cash Alternative.

(c) **Comparison of price-to-earning (“P/E”) multiples**

	P/E multiples (times) <i>(Note 1)</i>
Luks	27.3
Chia Hsin	1,413.9
SAC <i>(Note 2)</i>	N/A
TCC	20.0
CRC <i>(Note 3)</i>	54.8
CRC – based on the Cash Alternative <i>(Note 4)</i>	74.2

Notes:

1. Except for CRC, the P/E multiples above are calculated based on the audited earnings per share of the relevant companies as published in their respective annual reports for the year ended 31 December 2005 and the respective closing price of the shares in the relevant companies on the Latest Practicable Date.
2. SAC was loss making in 2005.
3. This P/E multiple is calculated by reference to the closing price of HK\$1.81 on the Last Trading Day.
4. This P/E multiple is calculated by reference to the Cash Alternative of HK\$2.45 per Share.

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As shown above, the P/E multiples of the Comparable Companies range from 1,413.9 to 20.0. All the Comparable Companies recorded substantial drops in their 2005 profit and some recorded only minimal profit. We consider such distorted P/E multiples are not suitable for comparison purpose and therefore have not placed great weight on this factor.

(d) Comparison of price per tonne of output

Price per tonne, which measures cost to purchase output, is often used in the cement industry for the buyer and the seller alike to assess and evaluate the consideration for cement companies in a merger and acquisition scenario. The higher the price per tonne, the more favourable from the seller's stand point.

The table below illustrates the comparison of the price per tonne of output of the Comparable Companies and CRC:

	Market capitalisation as at the Latest Practicable Date	Total output	Price per tonne
	<i>HK\$ million</i>	<i>million tonnes</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>
Luks	603.57	N/A	N/A
Chia Hsin	1,257.19	5.26	239
SAC	156.09	1.82	86
TCC	1,004.80	N/A	N/A
CRC (Note 4)	935.57	3.95	237

Notes:

- (1) Source: Bloomberg.
- (2) Total output is extracted from the respective annual reports of the Comparable Companies. Total outputs of TCC and Luks are not disclosed in their annual reports or other public domains.

Total output of CRC is provided by management of CRC.
- (3) Price per tonne is calculated by dividing the market capitalisation by the total output.
- (4) The implied market capitalisation of CRC is calculated based on the existing number of issued Shares and the Cash Alternative of HK\$2.45 per Share.

As shown in the above table, the price per tonne of output of the Comparable Companies represented by their respective market capitalisations is in the range of HK\$86 to HK\$239. The price per tonne of output of CRC of HK\$237 implied by the Cash Alternative of HK\$2.45 per Share is slightly below the high-end of such range.

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Our analysis suggests that based on the Cash Alternative, CRC is fairly valued, by reference to output, as compared to the Comparable Companies. However, given the limited information available and as CRC has a greater proportion of concrete in its product mix than most of the Comparable Companies, the result of this comparison could be distorted. Consequently, we have not placed significant weight on this factor in our analysis.

SUMMARY OF DISCUSSION AND ANALYSIS

(i) General

CRH spun off its cement, concrete and precast operations in July 2003 into CRC Group. The Shares were listed on the Stock Exchange at that time by way of introduction through a distribution in specie to the then shareholders of China Resources Enterprise, Limited, a subsidiary of CRH. No consideration was paid for the Shares and no funds were raised at the time of listing.

One of the reasons for the separate listing of CRC Group was to enhance ability to raise new equity capital. However, in practice, the results have proved disappointing. No material number of new Shares has been issued to raise capital. The issue of the Convertible Bonds in 2005 was largely supported by CRH Group, which subscribed for more than 90% of the total issue of HK\$800 million.

The performance of CRC Group since it was separately listed in July 2003 has been hindered by (i) the measures of the PRC Government to control fixed asset investment, affecting demand for building materials; (ii) pressures on the selling price of cement and concrete due to market competition; and (iii) pressures on production and distribution costs due principally to increases in coal and oil prices. We consider that some or all of these factors may continue to dampen the prospects for CRC Group in the near term.

Given the generally thin trading volume of the Shares in the past 18 months and the substantial and persistent discount of the price of the Shares to the NAV per Share of CRC, it would be difficult, in our view, for CRC Group to raise equity capital in the market without significant dilution to NAV per Share. However, the management of CRC Group estimates that CRC requires new capital of approximately HK\$2 billion to finance its plan to achieve installed production capacity of 15 million tonnes of cement and 10 million cubic metres of concrete in 2008. As the ratio of net debts to net assets of CRC Group is about 190%, most of this funding will in our view have to be raised by equity, involving the likelihood of substantial cash calls on Independent Shareholders and the risk of significant dilution if there is no greater level of take-up than for the 2005 Convertible Bond issue.

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In view of the generally lacklustre results and share price/liquidity of the Shares since listing, we consider that CRC Group has not in the event fully developed as a public company. In the context of likely and heavy calls for equity capital and in view of the past reliance on CRH Group to provide equity funding, which is likely to result in significant dilution of percentage interest of Independent Shareholders in CRC, we consider CRC Group would be more appropriately funded as a private company in the next phase of its development.

(ii) **The Scheme of Arrangement**

(a) *Cash Alternative*

The Cash Alternative of HK\$2.45 per Share represents a premium of 57% over the weighted average traded price since beginning of 2005 up to and including the Last Trading Day. It is higher than the Shares have traded since listing except for the period from November 2003 to April 2004 (see Chart 1). CRH announced on 7 April 2006 that it would not increase its offer price. Under the Takeovers Code, CRH will not now be permitted to increase the price or to re-introduce such a proposal for 12 months if the current one fails. The Cash Alternative represents an assured opportunity for the Independent Shareholders as a body to realise cash for their Shares at a price which is considerably higher than recent market prices. Since the announcement of the proposed privatisation, the market price has traded at a small discount to the Cash Alternative. On the Latest Practicable Date, the market price closed at HK\$2.375.

The discount of the Cash Alternative to the audited consolidated NAV on a fully-diluted basis is 2.8%, which we consider not material. It compares favourably to the discount of the closing prices to NAV of the Shares in the range of approximately 25.9% to approximately 58.0% during the past two and a half years since listing in July 2003. It also compares favourably to the discount of market price of the shares of the Comparable Companies to their underlying NAV in the range of approximately 14.5% to 42.3%.

The Cash Alternative represents a P/E multiple of 74.2 times based on depressed 2005 results. The shares of the Comparable Companies are trading in the market at approximately 20.0 times to 1,413.9 times historical P/E multiples, figures which are distorted due to the substantial drop in 2005 earnings. We therefore have not placed significant weight on P/E multiples.

The Share price has increased substantially on the date of release of the Announcement, and the closing price of the Shares has been maintained at about HK\$2.35 for most of the time between the date of the Announcement and the Latest Practicable Date. In our opinion, it is not likely that the market price of the Shares will remain at the current level in the short term if the Scheme of Arrangement is withdrawn or lapses. In the longer term, a recovery in

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the price would depend principally, in our view, on a recovery in profitability. CRC has not made a profit forecast for 2006. However, we have discussed the 2006 first quarter management accounts and the 2006 budget of the CRC Group with the management, on the basis of which we consider the prospects for an immediate recovery are unclear.

(b) *Share Alternative*

Under the Share Alternative, one share in Smooth Concept (a company incorporated in the British Virgin Islands) credited as fully paid is offered for every Share held. However, Independent Shareholders should note that their proportionate interests in CRC (held through their shareholdings in Smooth Concept) will be diluted by (i) CRH's subscription of additional shares in Smooth Concept to finance the Convertible Bond Offer and the Option Lapsing Payment; (ii) full conversion of all the Convertible Bonds held by Firstsuccess which will result in a new issue of 371,436,000 Shares; (iii) conversion by any Independent Bondholders; or (iv) exercise by any Optionholders their Options. In addition, Smooth Concept is unlisted and shareholders of Smooth Concept will not have the benefits and protections of the Listing Rules in terms for example of disclosures, appointment of independent directors and restrictions on related party transactions. Shareholders of Smooth Concept would still enjoy the benefits of limited liability and would have their rights and obligations in relation to Smooth Concept governed by the provision of the British Virgin Islands' BVI Business Companies Act. Shareholders in Smooth Concept may also find it more difficult to find a purchaser for their shares, in the event that they wish to sell, as there is unlikely to be a ready market for them.

The Share Alternative does offer Independent Shareholders a choice, if they wish, to remain in effect invested in CRC, but in our opinion only sophisticated investors with their own sources of information about the cement and concrete industry should consider this possibility. Independent Shareholders who would like to remain invested in the cement industry can consider accepting the Cash Alternative and using the proceeds to invest in other cement companies listed in Hong Kong.

(c) *Combination Alternative*

Independent Shareholders may elect the Combination Alternative to receive a combination of the Cash Alternative and the Share Alternative by specifying in the Election Form the number of Shares to which they wish the Share Alternative to apply. Although the Combination Alternative offers the Independent Shareholders flexibility if they wish to realise only part of their investments and retain their interest in the business of CRC through Smooth Concept, we remain of the view that only sophisticated investors with their own sources of information about the cement and concrete industry should consider this possibility.

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(iii) The Convertible Bond Offer

The Convertible Bonds are listed on the Stock Exchange but have not been traded since issue in January 2005. Since that time, up to the Last Trading Day, the Shares have traded at below the conversion price of HK\$2.00. The price for Convertible Bondholders of HK\$4,900 per HK\$4,000 principal amount of the Convertible Bonds is based on the so-called “see through” principle normally adopted in Hong Kong for proposals of this type. This means that the Convertible Bond is valued as it had been converted into Shares at HK\$2.00 per Share, compared to the Cash Alternative of HK\$2.45 per Share. Consequently, Convertible Bondholders holding Convertible Bonds of a principal amount of HK\$4,000 will receive a premium of HK\$900.

An additional factor which Independent Bondholders should bear in mind is that Firstsuccess has passed an extraordinary resolution in writing in accordance with the terms and conditions of the Convertible Bonds to suspend, conditional upon the approval of the Shareholders of the Scheme of Arrangement at the Court Meeting, the conversion rights attaching to the Convertible Bonds with effect from 4:00 p.m. on 19 July 2006 until the Effective Date and, conditional upon the Scheme of Arrangement becoming effective, to cancel the conversion rights attaching to the Convertible Bonds. Independent Bondholders who fail to convert their Convertible Bonds before 4:00 p.m. on 19 July 2006 will not be able to convert their Convertible Bonds if the Scheme of Arrangement becomes effective.

If any Independent Bondholders fail to accept the Convertible Bond Offer by returning the Convertible Bond Offer Form on or prior to the Record Time and the Scheme of Arrangement becomes effective, they will only be able to redeem their Convertible Bonds at principal amount upon maturity. This will involve a cash loss of HK\$895 for each HK\$4,000 principal amount of the Convertible Bonds as redemption will be at par (i.e. HK\$4,000) whereas the value of the Convertible Bond Offer is HK\$4,900 (net of HK\$5.0 transfer duty) per HK\$4,000 of principal amount.

(iv) The Option Lapsing Payment

The Option Lapsing Payment, in a similar way to the Convertible Bond Offer, is based on the “see-through” principle, being the difference between the exercise price of the relevant Options and the Cash Alternative of HK\$2.45 per Share. This is the formula normally adopted in Hong Kong for proposals of this type. The Options are personal, and not tradable or transferable.

If the Scheme of Arrangement is sanctioned by the Court and becomes effective, any outstanding Options which are not exercised prior to 4:00 p.m. on 19 July 2006 will automatically lapse. Smooth Concept will pay the Option Lapsing Payment to all Optionholders whose Options have lapsed.

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OPINION AND RECOMMENDATION

In respect of the Scheme of Arrangement

Based on the above principal factors and reasons, we consider the terms of the Scheme of Arrangement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the Scheme of Arrangement to be considered at the Court Meeting and the special resolution to be proposed at the EGM to approve and to implement the Scheme of Arrangement.

We further recommend the Independent Board Committee, on the basis and with the qualifications set out above, to advise the Independent Shareholders **not** to elect the Share Alternative or the Combination Alternative.

In respect of the Convertible Bond Offer

We consider the terms of the Convertible Bond Offer, which are calculated on a “see-through” basis, are fair and reasonable so far as the Independent Bondholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Bondholders to accept the Convertible Bond Offer. We wish to remind the Independent Bondholders that Firstsuccess has passed a written resolution, conditional upon the Scheme of Arrangement becoming effective, to cancel the conversion rights attaching to the Convertible Bonds. Independent Bondholders who fail to convert their Convertible Bonds before 4:00 p.m. on 19 July 2006 will not be able to convert their Convertible Bonds if the Scheme of Arrangement becomes effective.

Independent Bondholders who have not, by the Record Time or such later time as may be notified to the Convertible Bondholders by Smooth Concept, submitted a duly completed and executed Convertible Bond Offer Form will only be able to redeem their Convertible Bonds at principal amount upon maturity and will consequently lose HK\$895 (net) per HK\$4,000 of principal amount of the Convertible Bonds. The results of the Court Meeting and the EGM are expected to be announced in the press on 16 June 2006. Although some other conditions will remain to be fulfilled, it is in our view very likely that the Scheme of Arrangement will become effective if these meetings approve it. Independent Bondholders are therefore strongly advised to watch for the announcement and, if the meetings approve the Scheme of Arrangement, to complete and send in their duly executed Convertible Bond Offer Form as soon as possible and in any case before 21 July 2006. If they do nothing, they will lose HK\$895 per HK\$4,000 principal amount as explained above.

In respect of the Option Lapsing Payment

The terms of the Option Lapsing Payment are also based on the “see-through” principle which we consider fair and reasonable so far as the Independent Optionholders are concerned. If the Scheme of Arrangement becomes effective, the Options will in any event lapse and Smooth Concept will pay the Optionholders whose Options lapse the Option Lapsing Payment.

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

EXPLANATORY STATEMENT

This explanatory statement constitutes the statement required under Order 102, rule 21(4) (e) of the Rules of the Court of the Cayman Islands 1995 (revised).

SCHEME OF ARRANGEMENT TO CANCEL ALL THE SHARES IN CONSIDERATION OF SMOOTH CONCEPT AGREEING TO OFFER HK\$2.45 AND, OR ONE SHARE IN SMOOTH CONCEPT FOR EACH SHARE HELD

INTRODUCTION

On 31 March 2006, CRH, Smooth Concept and CRC jointly announced that on 29 March 2006, CRH through Smooth Concept had requested the Directors to put forward (i) to the Shareholders a Proposal which, if implemented, would result in CRC becoming a wholly-owned subsidiary of Smooth Concept; and (ii) to the Convertible Bondholders and the Optionholders, respectively, the Convertible Bond Offer to acquire all outstanding Convertible Bonds and the payment of the Option Lapsing Payment. The Convertible Bond Offer and the Option Lapsing Payment will be conditional upon the Scheme of Arrangement becoming effective. The Board has agreed to put forward the Proposal, the Convertible Bond Offer and the Option Lapsing Payment.

The purpose of this Explanatory Statement is to explain the terms and effects of the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment, and to provide Shareholders, Convertible Bondholders and Optionholders with other relevant information in relation to the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment, and in particular, to state any material interest of the Directors, whether as Directors or as members or as creditors of CRC or otherwise.

The particular attention of Shareholders, Convertible Bondholders and Optionholders is drawn to the following sections of this document: (a) a letter from the Board set out on pages 11 to 21 of this document; (b) a letter from Anglo Chinese in connection with the estimated value of the shares in Smooth Concept set out on pages 22 to 24; (c) a letter from the Independent Board Committee in connection with the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment set out on pages 25 to 26 of this document; (d) a letter from Somerley set out on pages 27 to 59 of this document; (e) the Scheme of Arrangement and the Convertible Bond Offer set out on pages 60 to 87 of this document; (e) the notice of the Court Meeting and the notice of the EGM set out on pages 256 to 260 of this document; (f) proxy forms in respect of the Court Meeting and the EGM as enclosed with this document; (g) the Election Form as enclosed with this document; and (h) the Convertible Bond Offer Form as enclosed with this document.

EXPLANATORY STATEMENT

THE PROPOSAL

Under the Scheme of Arrangement, Shareholders (other than CRH Group) will receive from Smooth Concept in consideration for the cancellation of their Shares:

for every Share held the Cash Alternative, being HK\$2.45 in cash; or
. the Share Alternative, being one share in Smooth Concept, credited as fully paid up.

Shareholders (other than CRH Group) may elect either the Share Alternative or the Combination Alternative in respect of the number of Shares registered in their names at the Record Time. Shareholders (other than CRH Group) who elect the Share Alternative or the Combination Alternative should specify in the Election Form the number of Shares to which they wish their acceptances to apply. If no election is made, such Shareholders will receive the Cash Alternative. No dividends or other distributions have been declared for the year ended 31 December 2005.

The shares in Smooth Concept offered under the Share Alternative and the Combination Alternative will rank *pari passu* with the existing issued shares in Smooth Concept in respect of ranking for dividends and capital and voting rights attached thereto.

Smooth Concept is wholly owned by CRH and was established for the purpose of the Proposal. It has not yet commenced business. Upon the Scheme of Arrangement becoming effective, Smooth Concept will become the holding company of CRC. CRC Group is engaged in the manufacture of cement, principally from its plants in Nanning, Pingnan and Guigang, Guangxi Zhuang Autonomous Region, which is sold primarily to customers in the Pearl River Delta. CRC Group is also engaged in the production of concrete and related products in Hong Kong and Southern China and in the manufacture and sale of precast products. The directors of Smooth Concept intend to maintain Smooth Concept as the holding company of CRC, and maintain the existing business of CRC Group after the Scheme of Arrangement becomes effective.

CRH announced on 7 April 2006 that it would not increase the consideration payable under the Scheme of Arrangement described above.

The Proposal will entail, on the Effective Date, the cancellation of all Shares in issue at the Record Time. As at the Latest Practicable Date, CRH Group was the legal and, or beneficial owner of 270,132,647 Shares, whilst all other Shareholders collectively held 111,730,814 Shares (being a total of 381,863,461 Shares). In addition to the cancellation of 381,863,461 Shares, any further Shares that may be issued between the Latest Practicable Date and the Record Time will also be cancelled. In this regard, Firstsuccess will convert its Convertible Bonds into Shares before the Record Time. This conversion will result in the issue of an additional 371,436,000 Shares, which will have the effect of increasing the number of Shares by 97.3%.

The cancellation of all Shares in issue at the Record Time will be followed by the immediate re-issue of the same number Shares to Smooth Concept. In consideration for the cancellation of the Shares held by CRH Group, CRH Group will be issued the same number of shares in Smooth Concept, credited as fully paid.

EXPLANATORY STATEMENT

In order to finance the Proposal, CRH Group will subscribe for such number of new shares in Smooth Concept (in addition to the shares in Smooth Concept issued in consideration for the cancellation and extinguishment of the Shares held by CRH Group as at the Record Time) at HK\$2.45 per share so that upon the implementation of the Scheme of Arrangement, the Shareholders who elect to receive the Share Alternative in full will, on an undiluted basis, have the same proportional interests in CRC, held through their shareholdings in Smooth Concept, as they did immediately before the implementation of the Scheme of Arrangement as direct Shareholders in CRC.

Furthermore, once the Scheme of Arrangement becomes effective, CRH will subscribe for additional shares in Smooth Concept to finance the purchase of Convertible Bonds under the Convertible Bond Offer and to finance the Option Lapsing Payment. Accordingly, Shareholders who elect to receive the Share Alternative or the Combination Alternative should note that their proportionate interests in CRC (held through their shareholdings in Smooth Concept) remain subject to dilution.

Smooth Concept will not be a listed company and therefore its shareholders will not be afforded the protections currently given to them under the Listing Rules, the constitution of CRC and the laws of the Cayman Islands. Moreover, there is no plan to obtain a listing for the shares in Smooth Concept on any exchange.

Shareholders in Smooth Concept will still enjoy the benefits of limited liability and will have their rights and obligations in relation to Smooth Concept governed by the provisions of the British Virgin Islands' BVI Business Companies Act. Shareholders in Smooth Concept (and, in particular, its minority shareholders) will have limited participation in its business affairs and future direction. In addition, shareholders in Smooth Concept may find it more difficult to find a purchaser for their shares in the event that they wish to transfer or sell their shares in it, as there will be less likely a ready market for them. The directors of Smooth Concept are Messrs. Wong Siu Ping and Lin Guolong.

On the basis that all Shareholders (other than CRH Group) elect the Cash Alternative and full acceptance of the Convertible Bond Offer by the Convertible Bondholders (other than Firstsuccess), and assuming all Options are fully converted into Shares, the total maximum amount of cash payable under the Proposal and the Convertible Bond Offer is approximately HK\$428.0 million. The amount payable under the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment will be financed from the subscription by CRH of shares in Smooth Concept at HK\$2.45 per share. Anglo Chinese, the financial adviser to CRH and Smooth Concept, is satisfied that sufficient financial resources are available to CRH and Smooth Concept for the implementation of the Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment.

EXPLANATORY STATEMENT

Other than the Convertible Bonds and the Options that are described in the letter from the Board, there were no other outstanding options, warrants or convertible securities issued by CRC Group.

The Proposal is conditional upon the fulfillment or waiver, as applicable, of the conditions as described in the section headed “Conditions of the Scheme of Arrangement” below. Following the Effective Date, the listing of the Shares on the Stock Exchange will be withdrawn on 26 July 2006 and CRC will become a wholly-owned subsidiary of Smooth Concept.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Proposal does not become unconditional or lapses.

Assuming that the Scheme of Arrangement becomes effective on 25 July 2006, cheques for cash entitlements under the Cash Alternative and share certificates for shares in Smooth Concept under the Share Alternative and the Combination Alternative are expected to be despatched to the relevant Shareholders on or before 4 August 2006.

Settlement of the consideration to which the Shareholders (other than CRH Group) are entitled under the Scheme of Arrangement will be implemented in full in accordance with the terms of the Scheme of Arrangement without regard to any lien, right of set-off, counterclaim or other analogous right to which CRH and, or Smooth Concept may otherwise be, or claim to be, entitled against any such Shareholder.

CONDITIONS OF THE SCHEME OF ARRANGEMENT

The Scheme of Arrangement will become effective and binding on the Company and its Shareholders, subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme of Arrangement (by way of a poll) by a majority in number of the Shareholders (other than CRH and parties acting in concert with it) representing not less than three-fourths in value of the Shares, present and voting at the Court Meeting either in person or by proxy, provided that the number of votes cast against the resolution to approve (by way of a poll) the Scheme of Arrangement is not more than 10% of the votes attaching to all Shares, save for the Shares held by CRH and parties acting in concert with it. CRH and parties acting in concert with it shall, in compliance with the Takeovers Code, abstain from voting at the Court Meeting;
- (b) the passing of a special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling all of the Shares by a majority of at least three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM;

EXPLANATORY STATEMENT

- (c) the sanction of the Scheme of Arrangement by the Court (with or without modifications) and the Court's confirmation of the reduction of the share capital of the Company and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law in each case in relation to the reduction of the issued share capital of the Company;
- (e) all Authorisations having been obtained in connection with the Scheme of Arrangement from the Relevant Authorities in the Cayman Islands, and, or Hong Kong and, or any other relevant jurisdictions; and
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme of Arrangement becomes effective.

In the event that condition (e) and, or condition (f) is not, are not fulfilled, Smooth Concept reserves the right to assess the materiality of such non-fulfilment and to waive the fulfilment of any such condition to such extent as it considers appropriate. Conditions (a) to (d) cannot be waived in any event. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 31 October 2006 (or such other date as Smooth Concept and the Company may agree and the Court may allow), or the Proposal will lapse.

Assuming that the above conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme of Arrangement will become effective on 25 July 2006 and the listing of the Shares on the Stock Exchange will be withdrawn on 26 July 2006 pursuant to Rule 6.15(2) of the Listing Rules.

An announcement will be made by CRH, Smooth Concept and CRC if the Scheme of Arrangement lapses. Further announcements regarding the Proposal will be made as and when appropriate.

EXPLANATORY STATEMENT

SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW AND COURT MEETING

According to section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is provided in section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting or meetings, as the case may be, summoned as directed by the Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on all members or class of members, as the case may be, and also on the company.

THE ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, but except with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme of Arrangement may only be implemented if:

- (a) the Scheme of Arrangement is approved by at least 75% of the votes attaching to the disinterested Shares that are cast either in person or by proxy by poll at a duly convened meeting of the holders of the disinterested Shares (such holders being the Shareholders other than CRH and parties acting in concert with it); and
- (b) the number of votes cast against the resolution to approve the Scheme of Arrangement at such meeting is not more than 10% of the votes attaching to all disinterested Shares (namely, the Shares held by the Shareholders other than CRH and parties acting in concert with it).

As at the Latest Practicable Date, the Shareholders other than CRH and parties acting in concert with it held in aggregate 111,512,014 Shares. 10% of the votes attached to all disinterested Shares referred to paragraph (b) above therefore represent 11,151,201 Shares as at the Latest Practicable Date.

BINDING EFFECT OF THE SCHEME OF ARRANGEMENT

Notwithstanding the fact that there may be a dissenting minority, if the Scheme of Arrangement is approved at the Court Meeting by a majority in number of Shareholders (other than CRH and parties acting in concert with it) present and voting in person or by proxy, representing not less than 75% in nominal value of the Shares of the Shareholders, and provided that the Scheme of Arrangement is not disapproved by Shareholders (other than CRH and parties acting in concert with it) at the Court Meeting holding more than 10% in nominal value of all the Shares held by the Shareholders other than CRH and the parties acting in concert with it, the Scheme of Arrangement will, so long as it is sanctioned by the Court, become binding on CRC, and all the Shareholders.

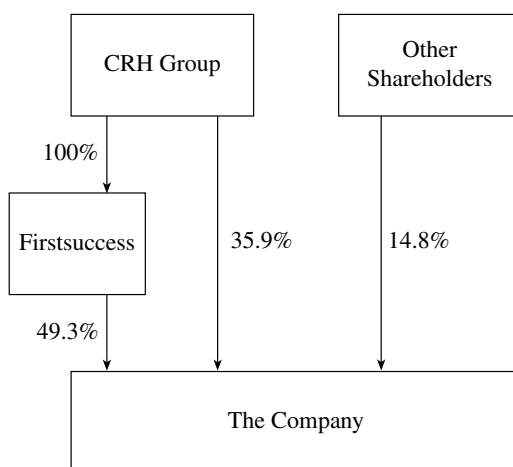
EXPLANATORY STATEMENT

EFFECTS OF THE SCHEME OF ARRANGEMENT

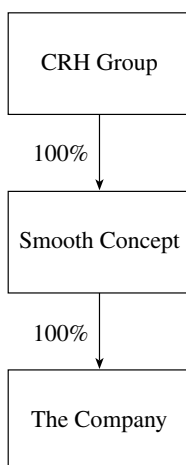
Shareholding structure

The table below sets out the shareholding structure of CRC immediately before the Scheme of Arrangement becomes effective and immediately upon successful implementation of the Scheme of Arrangement:–

Approximate shareholding structure of the Company (after taking into account the full conversion of the Convertible Bonds into Shares by Firstsuccess) immediately before the Scheme of Arrangement becomes effective



Shareholding structure of the Company immediately after the Scheme of Arrangement becomes effective, assuming that all Shareholders (other than CRH Group) will receive the Cash Alternative



EXPLANATORY STATEMENT

Comparison of value

The Cash Alternative represents:

- a premium of approximately 35.4% over the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 65.5% over the 30-day average closing price of the Shares of HK\$1.48 per Share during the period ended on the Last Trading Day;
- a premium of 57.1% over the weighted average traded price, weighted by the number of Shares traded, of HK\$1.56 per Share during the period commencing 1 January 2005 and ending on the Last Trading Day;
- a premium of 5.6% over the weighted average traded price of HK\$2.32 per Share for the entire period since the Shares were listed on the Stock Exchange on 29 July 2003 until the Last Trading Day;
- a historical price earnings multiple of 74.2 times based on the basic earnings per Share of HK\$0.033 for the financial year ended 31 December 2005; no dividends were declared in respect of this period; and
- a discount of 2.8% on the audited net assets attributable to Shareholders as at 31 December 2005 on a fully diluted basis of HK\$2.52 per Share.

On the basis of the Cash Alternative, the table below illustrates the change in capital value for the Shareholders, assuming that the Scheme of Arrangement is implemented.

EXPLANATORY STATEMENT

	On the Last Trading Day	On the Latest Practicable Date
	<i>HK\$</i>	<i>HK\$</i>
Consideration receivable (per 2,000 Shares) under the Cash Alternative	4,900	4,900
Value of 2,000 Shares (<i>Note</i>)	3,620	4,750
Difference	1,280	150
 This represents an increase of	 35.4%	 3.2%

Note: Based on the closing price of the Shares as quoted on the Stock Exchange on the respective dates.

Price of the Shares

Set out below are the three charts headed “Table I”, “Table II” and “Table III” which show the closing prices of the Shares since the listing of the Shares on the Stock Exchange on 29 July 2003 and the relative performance of the Shares measured against the Hang Seng Index and the Hang Seng Commercial and Industrial Index up to the Last Trading Date.

Table I – the performance of the Shares since 29 July 2003



Source: Bloomberg

EXPLANATORY STATEMENT

For the greater part of the period since the listing of the Shares on 29 July 2003 and up to 31 March 2006, the date of the Announcement, the Shares have traded at a price substantially lower than the price of HK\$2.45 per Share offered under the Cash Alternative. The average price of the Shares since listing and up to the Last Trading Day is approximately HK\$1.88 per Share, representing some 30.3 % lower than the offer price of HK\$2.45 per Share. The highest closing price during this period was HK\$3.05 on 12 December 2003 and the lowest closing price was HK\$0.99 on 1 November 2005. The offer price of HK\$2.45 is 19.7% lower than the highest closing price of the Shares and 147.5% higher than the lowest price.

During the entire period since the Shares were listed on the Stock Exchange on 29 July 2003 until the Last Trading Day, the weighted average price of the Shares was some HK\$2.32 per Share. The offer price of HK\$2.45 per Share represents a premium of 5.6% over this average.

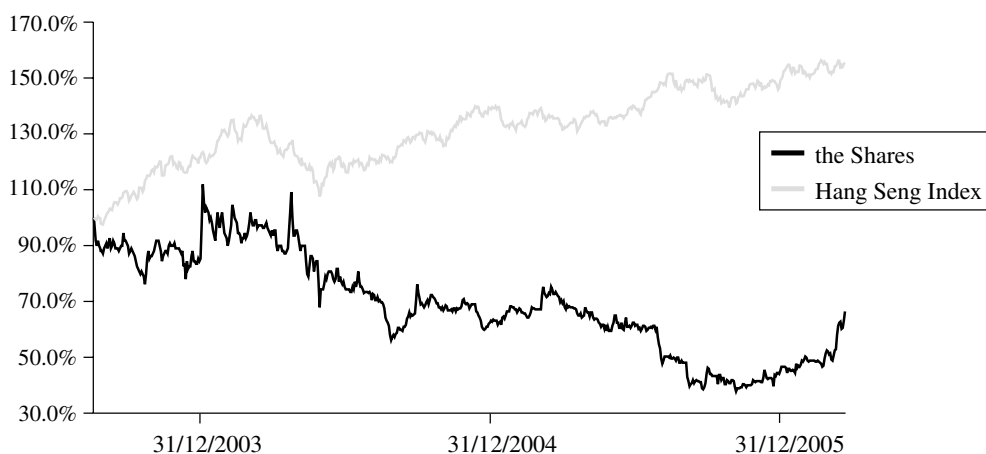
During the period commencing from 1 January 2005 and ending on the Last Trading Day, the weighted average price of the Shares was some HK\$1.56 per Share. The offer price of HK\$2.45 per Share represents a premium of 57.1% over this average.

During the 30 days period ended on the Last Trading Day, the average closing price of the Shares was some HK\$1.48 per Share. The offer price of HK\$2.45 per Share represents a premium of 65.5% over this average.

The offer price of HK\$2.45 per Share represents a premium of some 35.4% over the closing price of the Shares of HK\$1.81, the closing price on the Last Trading Day.

The offer price of HK\$2.45 per Share represents a premium of some 3.2% over the closing price of the Shares of HK\$2.375 on the Latest Practicable Date.

**Table II – the performance of the Shares
against the Hang Seng Index since 29 July 2003**

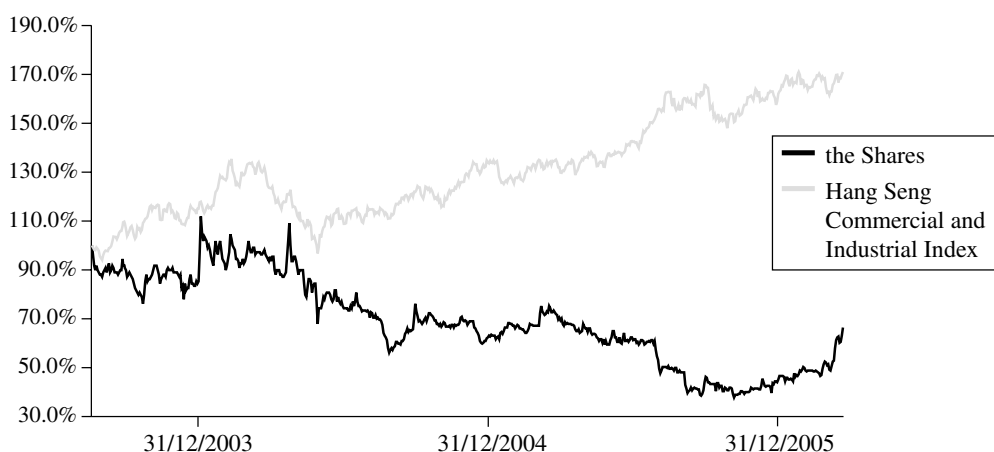


Source: Bloomberg

EXPLANATORY STATEMENT

The Shares have underperformed the Hang Seng Index by a substantial margin. The underperformance was most apparent during the period from about February 2004 to March 2006.

**Table III – the performance of the Shares
against the Hang Seng Commercial and Industrial Index since 29 July 2003**



Source: Bloomberg

A summary of the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the date of the Announcement; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date is set out in Appendix III to this document.

Net tangible assets

As at 31 December 2005, the audited consolidated net assets of CRC attributable to Shareholders amounted to approximately HK\$1,269.6 million or approximately HK\$3.32 per Share or HK\$2.52 per Share on a fully diluted basis. The price of HK\$2.45 offered for every Share held under the Cash Alternative represents a discount of approximately 2.8% to the audited consolidated net asset value per Share on a fully diluted basis as at 31 December 2005.

EXPLANATORY STATEMENT

Earnings

The CRC Group's audited consolidated profit attributable to the Shareholders for the year ended 31 December 2005 amounted to approximately HK\$12.5 million, representing earnings of approximately HK\$0.033 per Share. Based on the offer price of HK\$2.45 per Share, the Cash Alternative values the Shares at an historical earnings multiple of 74.2 times. This represents a significantly higher premium over the average price earnings multiple of other listed cement manufacturers as the tabulation below shows:

Price to earning multiples of cement companies listed on the Stock Exchange

Companies	Price earnings multiple (Note 1)	Price earnings multiple (Note 2)
Luks Industrial Group Ltd.	29.8	27.3
Chia Hsin Cement Greater China Holding Corp.	minimal earnings resulting in an irrelevant price earning multiple	minimal earnings resulting in an irrelevant price earning multiple
Anhui Conch Cement Co. Ltd.	38.0	51.3
Shanghai Allied Cement Ltd.	loss making	loss making
TCC International Holdings Ltd.	3.0	20.0
China National Building Material Co. Ltd.	27.3	11.8
Average of the comparable (excluding CRC)	24.5	27.6

Notes:

1. The price earnings multiples are calculated based on the audited twelve month earnings of the relevant companies published on or before the Last Trading Day and the respective closing market prices of the shares in the relevant companies on the Last Trading Day.
2. The price earnings multiples are calculated based on the audited twelve month earnings of the relevant companies published on or before the Latest Practicable Date and the respective closing prices of the shares in the relevant companies on the Latest Practicable Date.

Dividends

For the financial year ended 31 December 2005 and up to the Latest Practicable Date, CRC did not declare any dividend.

EXPLANATORY STATEMENT

THE CONVERTIBLE BOND OFFER

The Company has, through its wholly owned subsidiary, China Resources Cement Finance Limited, in issue and outstanding HK\$799.9 million principal amount of Convertible Bonds. Smooth Concept will make the Convertible Bond Offer to acquire all the Convertible Bonds held by Convertible Bondholders (other than Firstsuccess) on the following basis:

for any HK\$4,000 principal amount of HK\$4,900 in cash or
the Convertible Bonds a proportionate amount
for any lesser or
greater principal amount
of the Convertible Bonds held.

The Convertible Bond Offer is made in compliance with Rule 13 of the Takeovers Code and pursuant to the terms of the Convertible Bonds.

The Convertible Bondholders accepting the Convertible Bond Offer will be required to pay stamp duty pursuant to the Stamp Duty Ordinance. The Convertible Bondholders who have accepted the Convertible Bond Offer will have to bear their part of the stamp duty payable. However, Smooth Concept will deduct such stamp duty from the consideration payable to the Convertible Bondholders and will pay such stamp duty on behalf of the Convertible Bondholders. Currently, the duty is charged at the rate of 0.2% of the value of the Convertible Bonds transferred (the buyer and the seller each paying half of such stamp duty). This means a stamp duty of HK\$5.0 is payable on transfer of every HK\$4,000 principal amount of the Convertible Bonds or so in proportion for any lesser or greater principal amount of the Convertible Bonds transferred and will be deducted from consideration to be received by the Convertible Bondholders.

The Convertible Bonds are convertible into Shares at HK\$2.00 per Share. The consideration payable under the Convertible Bonds Offer is determined based on the consideration payable under the Cash Alternative and the conversion price of the Convertible Bonds. CRH will subscribe shares in Smooth Concept at HK\$2.45 per share to fund Smooth Concept's acquisition of all the Convertible Bonds held by Convertible Bondholders (other than Firstsuccess) under the Convertible Bond Offer.

Firstsuccess currently holds in excess of 90% in the principal amount of the Convertible Bonds and is, accordingly, able to pass an extraordinary resolution of the Convertible Bondholders by means of a resolution in writing signed by Firstsuccess. Convertible Bondholders should note that an extraordinary resolution may have the effect of, among other things, modifying the maturity date of the Bonds, or approving any other matter affecting the interests of the Convertible Bondholders as a class. Since the Shares into which the Convertible Bonds are convertible will be de-listed after the Scheme of Arrangement becomes effective and the main purpose of the Proposal is to ensure that CRC will become a wholly-owned subsidiary of Smooth Concept, Firstsuccess

EXPLANATORY STATEMENT

passed an extraordinary resolution in writing in accordance with the terms and conditions of the Convertible Bonds on 17 May 2006 to, conditional upon the approval of the Shareholders of the Scheme of Arrangement at the Court Meeting, suspend the conversion rights attaching to the Convertible Bonds with effect from 4:00 p.m. on 19 July 2006 until the Effective Date and, conditional upon the Scheme of Arrangement becoming effective, to cancel the conversion rights attaching to the Convertible Bonds. CRC and the issuer of the Convertible Bonds have agreed to the contents of such written resolutions. Firstsuccess intends to convert all of its Convertible Bonds into Shares before the Effective Date. **Convertible Bondholders should also note that, after the Scheme of Arrangement becomes effective, the Convertible Bonds will no longer be convertible into Shares.**

Upon the Scheme of Arrangement becoming effective, and if there are sufficient acceptances under the Convertible Bond Offer such that the outstanding amount is less than HK\$30 million, the Company will be able to redeem mandatorily the Convertible Bonds, it is intended to withdraw the listings of the Convertible Bonds on the Stock Exchange. If the Proposal is not approved or lapses and if acceptances under the Convertible Bond Offer are not sufficient to redeem mandatorily the Convertible Bonds, the listing of the Convertible Bonds on the Stock Exchange will not be withdrawn.

Although the Convertible Bonds are listed on the Stock Exchange, they have not been traded so it is not possible to provide a comparison of the price offered for the Convertible Bonds with their market price.

The Convertible Bond Offer will not be subject to the attainment of any particular levels of acceptances, or any other conditions after the Scheme of Arrangement becomes effective.

Any Convertible Bondholders who wish to accept the Convertible Bond Offer must complete and return the duly completed and executed Convertible Bond Offer Form as enclosed with this document together with the relevant Convertible Bond certificate(s) or other document evidencing the issue of the Convertible Bonds to it, him or her and, any documents of title or entitlement (and, or any satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of outstanding Convertible Bonds in respect of which the Convertible Bondholder holds by the Record Time or such later date and time as may be notified to the Convertible Bondholders by Smooth Concept, delivered to Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. No acknowledgement of receipt of any Convertible Bond Offer Form, Convertible Bond certificate or other document evidencing the issue of the Convertible Bonds or other documents of title or entitlement (and, or any satisfactory indemnity or indemnities required in respect thereof) will be given. The consideration payable for the Convertible Bond Offer is determined based on the consideration payable under the Cash Alternative and the conversion price of the Convertible Bonds. Convertible Bondholders should be aware that after the Scheme of Arrangement becomes effective, the Convertible Bonds will no longer be convertible into Shares.

EXPLANATORY STATEMENT

PAYMENT TO THE OPTIONHOLDERS

As at the Latest Practicable Date, there were 34,440,000 outstanding Options with exercise prices being HK\$1.660 and HK\$2.325 per Option. As at the Latest Practicable Date, an aggregate of 19,100,000 Options were held by the Directors. Details of the Directors' interests in the Options are set out in "Appendix III – General Information" of this document.

In the event that any Options are exercised after the Latest Practicable Date and Shares are issued pursuant to such exercise prior to the Record Time, any such Shares shall participate in the Scheme of Arrangement.

Once the Scheme of Arrangement is approved by the Shareholders at the Court Meeting, a notice will be sent to all Optionholders, pursuant to the terms and conditions of the Share Option Scheme, informing them that if they wish to participate in the Scheme of Arrangement, they can convert all outstanding Options held by them at any time up to 4:00 p.m. on 19 July 2006 (being the latest time for lodging the notice of exercise of Options for Shares to qualify for entitlements under the Scheme of Arrangement).

If the Scheme of Arrangement is sanctioned by the Court and becomes effective, any outstanding Options which are not exercised at or prior to 4:00 p.m. on 19 July 2006 will automatically lapse in accordance with the terms of their issue. If the Scheme of Arrangement is not sanctioned by the Court and does not become effective, all unexercised Options will remain unaffected and will be exercisable during their relevant exercise periods pursuant to the terms of the Share Option Scheme.

After the Scheme of Arrangement becomes effective, Smooth Concept will pay the Option Lapsing Payment to all Optionholders who have not exercised their conversion right and whose Options have lapsed at 4:00 p.m. on 19 July 2006. No stamp duty is payable in relation to the Option Lapsing Payment.

TOTAL CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES

On the basis that all Shareholders (other than CRH Group) will receive the Cash Alternative and full acceptance of the Convertible Bond Offer by the Convertible Bondholders, and assuming all Options are fully converted into Shares, the total maximum consideration payable under the Proposal and the Convertible Bond Offer is approximately HK\$428.0 million. Anglo Chinese, the financial adviser to CRH and Smooth Concept, has confirmed that sufficient financial resources are available to CRH and Smooth Concept to implement the Scheme of Arrangement and to satisfy full acceptance of the Convertible Bond Offer. The Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment will be financed by the subscription by CRH of shares in Smooth Concept at HK\$2.45 per Share.

EXPLANATORY STATEMENT

REASONS FOR THE PROPOSAL

The Company, which holds the cement and concrete interests of CRH, was listed on the Stock Exchange on 29 July 2003. The listing was through an introduction so that no funds were raised by the Company as part of its listing. Since then the production capacity of CRC Group has been greatly increased through both the expansion of existing capacity and through acquisitions, notably China Resources Cement (Pingnan) Limited, which is now wholly owned. Further increases are planned and, as disclosed in CRC's results announcement for the year ended 31 December 2005, it is the objective of CRC Group to have installed production capacity for 15 million tonnes of cement and 10 million cubic metres of concrete per annum by 2008. If this is achieved it will make CRC Group one of the largest cement and concrete producers in PRC and one of the dominant cement producers in Guangxi Zhuang Autonomous Region. The increase in production capacity has required extensive investment a substantial portion of which has been funded by CRH through the provision of HK\$742.9 million of the HK\$800 million Convertible Bonds by a wholly-owned subsidiary of CRH.

Since 2004, conditions in the building materials sector in PRC have changed markedly due principally to measures taken by PRC Government to curb excessive fixed asset investment and the substantial increases in production and distribution costs due to sharply increased energy prices. This has resulted in pressure both on sales prices and on margins with the result that the profits of CRC Group, in common with other cement and concrete producers, have declined markedly.

In circumstances where it has not been possible to raise significant funds from the market and in view of the keen competition and cost pressures in the building materials sector, CRH has questioned the value of a listed status for CRC and believes that the continued expansion of CRC Group during difficult trading conditions is best carried out as an unlisted company.

The Proposal is designed to give public Shareholders a consideration for their Shares which, CRH believes, is substantially higher than would be justified by the Company's trading performance and the outlook for the cement and concrete industry in PRC. This is borne out by the premium to the prevailing market price of Shares prior to the Announcement compared with the Cash Alternative being offered to Shareholders under the Scheme of Arrangement. The Proposal does, however, allow Shareholders who wish to retain their investment in CRC to do so, albeit in an unlisted form through a limited liability company incorporated in the British Virgin Islands. Accordingly, although the implementation of the Scheme of Arrangement will result in CRC ceasing to be a listed company, the Scheme of Arrangement will not compel Shareholders to relinquish their interest in CRC and its future.

EXPLANATORY STATEMENT

INFORMATION ON CRC

CRC Group is engaged in the manufacture of cement, principally from its plants in Nanning, Pingnan and Guigang, Guangxi Zhuang Autonomous Region, which is sold primarily to customers in the Pearl River Delta. CRC Group is also engaged in the production of concrete and related products in Hong Kong and Southern China and in the manufacture and sale of precast products.

A summary of the audited consolidated accounts of CRC for the years ended 31 December 2004 and 2005 is set out below:

	For the year ended 31 December	
	2004	2005
	HK\$'000	HK\$'000
Turnover	1,438,391	1,684,377
Profit before taxation	114,966	27,120
Profit after taxation	110,335	16,855
Profit attributable to Shareholders	82,394	12,529
Basic earnings per Share (HK\$)	0.227	0.033
Dividends per Share (HK\$)	0.05	nil

The audited consolidated net assets attributable to Shareholders were approximately HK\$1,269.6 million as at 31 December 2005 and approximately HK\$1,073.1 million as at 31 December 2004.

INFORMATION ON CRH AND SMOOTH CONCEPT

CRH is a company incorporated in Hong Kong with limited liability and is the controlling shareholder of the Company. Other than the activities engaged in by the Company, CRH is also engaged in the manufacture and distribution of consumer products, property and related industries and infrastructure and utilities.

As at the Latest Practicable Date, CRH and parties acting in concert with it held 270,351,447 Shares (representing some 70.8% of the issued share capital of the Company), and Firstsuccess holds in excess of 90% of the principal amount of the Convertible Bonds. Mr. Qiao Shibo, a director of both CRH and CRC, is interested in 3.8 million Options. Other than this, CRH and parties acting in concert with it do not hold any other securities in the Company. During the Relevant Period, neither CRH nor any party acting in concert with it has acquired Shares.

EXPLANATORY STATEMENT

Save for the Proposal itself, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between CRH or any party acting in concert with it and any other party in relation to the shares of CRH or the Company which might be material to the Proposal.

Smooth Concept is wholly owned by CRH and was established for the purpose of the Proposal. It has not yet commenced business. Smooth Concept has an authorised share capital of \$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each, of which 1 ordinary share of HK\$0.10 has been issued to CRH.

Upon the Scheme of Arrangement becoming effective, CRC will become a wholly owned subsidiary of Smooth Concept which will have CRC as its only investment. By way of a letter addressed to Shareholders (other than CRH Group) to be presented in evidence in Court, CRH has undertaken to those Shareholders who elect to receive shares of Smooth Concept that, upon the Scheme of Arrangement becoming effective, CRH will exercise its rights of control so far as it is able to ensure that Smooth Concept's sole business will be that of a holding company for CRC. The business, financial and trading prospects of Smooth Concept will be the same as those of CRC. (Please refer to the sub-section headed "Information on CRC" above and "Financial information on the CRC Group" in Appendix I to this document for further details of the CRC Group.)

FUTURE INTENTIONS OF CRH

It is the intention of CRH to maintain the existing businesses of CRC Group following the Scheme of Arrangement becoming effective and Smooth concept will remain a holding company of CRC. It does not intend to introduce any major changes (including redeployment of fixed assets) to the existing operating and management structure of CRC Group or to make any changes to existing senior management or to discontinue the employment of any of the employees of CRC Group. Consequently, there should be no material change to CRC Group's businesses or personnel as a result of the Scheme of Arrangement becoming effective.

Neither CRH nor Smooth Concept intends to avail itself of any powers of compulsory acquisition in the event that the Share Alternative results in minority interest of less than 10% in Smooth Concept.

Upon the Scheme of Arrangement becoming effective, and if there are sufficient acceptances under the Convertible Bond Offer such that the outstanding amount is less than HK\$30 million, the Company will be able to redeem mandatorily the Convertible Bonds, it is intended to withdraw the listings of the Convertible Bonds on the Stock Exchange. If the Proposal is not approved or lapses and if acceptances under the Convertible Bond Offer are not sufficient to redeem mandatorily the Convertible Bonds, the listing of the Convertible Bonds on the Stock Exchange will not be withdrawn.

EXPLANATORY STATEMENT

INTERESTS OF DIRECTORS IN THE SCHEME OF ARRANGEMENT AND EFFECTS THEREON

CRH and parties acting in concert with it

As at the Latest Practicable Date, CRH was legally and, or beneficially interested in 269,714,647 Shares while the parties acting in concert with it were legally and, or beneficially interested in 636,800 Shares. As CRH is the controlling shareholder of CRC and as it has requested that the Board put forward to the Shareholders the Proposal, CRH and parties acting in concert with it have an interest in the Scheme of Arrangement that is different from other Shareholders. CRH and parties acting in concert with it will abstain from voting at the Court Meeting as required under the Takeovers Code.

The table below shows the Directors' interests in the Options and the underlying Shares assuming the Options are exercised in full as at the Latest Practicable Date.

Name	Number of Options held	Underlying Shares	Approximate shareholding percentage
Qiao Shibo	3,800,000	3,800,000	0.995%
Shi Shanbo	3,100,000	3,100,000	0.812%
Zhou Junqing	2,800,000	2,800,000	0.733%
Zhou Longshan	2,800,000	2,800,000	0.733%
Sun Mingquan	2,600,000	2,600,000	0.681%
Zheng Yi	2,600,000	2,600,000	0.681%
Keung Chi Wang, Ralph	800,000	800,000	0.209%
Chan Mo Po, Paul	200,000	200,000	0.052%
Lin Zongshou	200,000	200,000	0.052%
Lui Pui Kee, Francis	200,000	200,000	0.052%

Save for the interests shown in the table above, none of the Directors are interested in the Shares or other securities in CRC. The Directors have confirmed with the Board that they are not creditors of CRC.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme of Arrangement becoming effective, all the Shares will be cancelled and extinguished. Share certificates for Shares held by Shareholders will thereafter cease to have effect as documents of, or evidence of, title. CRC will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange. Dealings in the Shares on the Stock Exchange are expected to cease after 4:00 p.m. on 13 July 2006, and the listing of the Shares on the Stock

EXPLANATORY STATEMENT

Exchange is expected to be withdrawn at 9:30 a.m. on 26 July 2006 pursuant to Rule 6.15(2) of the Listing Rules. The Shareholders will be notified by way of a press announcement of the exact date on which the Scheme of Arrangement and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. The Scheme of Arrangement will lapse if it does not become effective on or before 31 October 2006 (or such later date as Smooth Concept and CRC may agree and the Court may allow), and the Shareholders will be notified by way of a press announcement accordingly.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Proposal does not become unconditional or lapses.

REGISTRATION, PAYMENT AND DESPATCH OF SMOOTH CONCEPT'S SHARE CERTIFICATES

It is proposed to close the register of members of CRC from 13 June 2006 to 15 June 2006 (both days inclusive), in order to establish entitlements of Shareholders to attend and vote at the Court Meeting and the EGM. Shareholders should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, before the register of members of CRC is closed. The latest time for lodging transfers before the register of members of CRC is closed is 4:00 p.m. on 12 June 2006.

In the event that the Scheme of Arrangement becomes effective, payment of the consideration for the Shares, will be made to the Shareholders in accordance with the timetable and the terms of the Scheme of Arrangement. All existing certificates representing the Shares will cease to have effect as documents or evidence of title as from 19 July 2006. It is further proposed that the register of members of CRC will be closed on 20 July 2006 to 25 July, 2006 (or such other date as may be notified to the Shareholders by way of a press announcement) in order to establish entitlements under the Scheme of Arrangement. **Shareholders should ensure that the relevant transfer documentation for their Shares is lodged for registration before the register of members of CRC is closed.** The share registrar of CRC is Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Assuming that the Scheme of Arrangement becomes effective on 25 July 2006 (Hong Kong time), cheques for (i) cash entitlements to those entitled to the Cash Alternative, (ii) share certificates for shares in Smooth Concept to those who elect for the Share Alternative, (iii) cash entitlements and share certificates for shares in Smooth Concept for those who elect for the Combination Alternative under the Scheme of Arrangement, (iv) cash entitlements to the Convertible Bondholders who accept the Convertible Bond Offer and (v) the Option Lapsing Payment to the Optionholders, are expected to be despatched on or before 4 August 2006. In particular, share certificates for shares in Smooth Concept and cheques will be sent to the persons entitled thereto at their respective

EXPLANATORY STATEMENT

registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in such register in respect of the joint holding. All such share certificates and cheques will be sent at the risk of the person(s) entitled thereto and CRH, Smooth Concept, CRC and Anglo Chinese or any of them will not be responsible for any loss or delay in despatch.

Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

On or after the day being six calendar months after the posting of such cheques, Smooth Concept shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in CRC's name with a licensed bank in Hong Kong selected by CRC.

CRC shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums, together with interest thereon, to persons who satisfy CRC that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, Smooth Concept shall be released from any further obligation to make any payments under the Scheme of Arrangement and CRC shall thereafter transfer to Smooth Concept the balance (if any) of the sums then standing to the credit of the deposit account in CRC's name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

Any certificates of shares in Smooth Concept posted to the Shareholders pursuant to paragraph (f) of the Scheme of Arrangement which have been returned or undelivered will be cancelled. The share registrar of Smooth Concept may at any time thereafter issue new share certificates in respect of such shares in Smooth Concept to those Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such shares in Smooth Concept, subject to the payment of any expenses.

Settlement of the Cash Alternative and the consideration for the Convertible Bond Offer to which any Shareholder (other than CRH Group) or Convertible Bondholder is entitled under the Scheme of Arrangement and the Convertible Bond Offer will be implemented in full in accordance with the terms of the Scheme of Arrangement and the Convertible Bond Offer respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which CRH or Smooth Concept may otherwise be, or claim to be, entitled against such Shareholder or Convertible Bondholder. Settlement of the Option Lapsing Payment will be made without regard to any lien, right of set-off, counterclaim or other analogous right to which CRH and Smooth Concept may otherwise be, or claim to be, entitled against the Optionholders.

EXPLANATORY STATEMENT

OVERSEAS SHAREHOLDERS, CONVERTIBLE BONDHOLDERS AND OPTIONHOLDERS

The Scheme of Arrangement, the Convertible Bond Offer and the Option Lapsing Payment to, as the case may be, Shareholders, Convertible Bondholders and Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions which such Shareholders, Convertible Bondholders and Optionholders are located. Such Shareholders, Convertible Bondholders and Optionholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any overseas Shareholder wishing to elect for the Share Alternative or the Combination Alternative to satisfy itself as the full observance of the laws of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

As the Scheme of Arrangement does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Shares upon the Scheme of Arrangement becoming effective.

However, the Convertible Bondholders accepting the Convertible Bond Offer will be required to pay stamp duty pursuant to the Stamp Duty Ordinance. The Convertible Bondholders who have accepted the Convertible Bond Offer will have to bear their part of the stamp duty payable. However, Smooth Concept will deduct such stamp duty from the consideration payable to the Convertible Bondholders and will pay such stamp duty on behalf of the Convertible Bondholders. Currently, the duty is charged at the rate of 0.2% of the value of the Convertible Bonds transferred (the buyer and the seller each paying half of such stamp duty). This means a stamp duty of HK\$5.0 payable is payable on transfer of every HK\$4,000 principal amount of the Convertible Bonds or so in proportion for any lesser or greater principal amount of the Convertible Bonds transferred.

No stamp duty is payable in relation to the Option Lapsing Payment.

Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme of Arrangement and, in particular, whether the receipt of the Cash Alternative would make such Shareholder liable to taxation in Hong Kong or in other jurisdictions.

EXPLANATORY STATEMENT

COURT MEETING AND EGM

In accordance with the directions of the Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme of Arrangement (with or without modifications). The Scheme of Arrangement will be subject to the approval by the Shareholders at the Court Meeting (in which CRH and parties acting in concert with it will, in compliance with the Takeovers Code, abstain from voting) in the manner referred to in the paragraph headed “Conditions of the Scheme of Arrangement” in this Explanatory Statement. The EGM will be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the capital reduction resulting from the cancellation of the Shares, approve the immediate increase of CRC’s authorised share capital to its former amount, and approve the application of the credit arising in CRC’s books of accounts as a result of the capital reduction in paying up in full and issuing to Smooth Concept such number of new shares equal to the number of Shares cancelled.

Shareholders are advised to have their names entered in the register of members of CRC as soon as possible for, inter alia, the following reasons:

- (a) to enable Shareholders (other than CRH and parties acting in concert with it) to attend the meeting as required under section 86 of the Companies Law in their capacity as members of CRC or to be represented by proxies to be appointed by them;
- (b) to enable CRC to properly classify members of CRC for the purposes of section 86 of the Companies Law; and
- (c) to enable CRC, CRH and Smooth Concept to make arrangements to effect (i) delivery of documents of title in respect of shares in Smooth Concept to Shareholders who will receive shares of Smooth Concept and, or (ii) payments by way of the delivery of cheques to the Shareholders who will receive the Cash Alternative. All deliveries of cheques required for making payment in respect of the Shares, as aforesaid, shall be effected by duly posting the same in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the register of members of CRC at the Record Time.

EXPLANATORY STATEMENT

The resolution of the Court Meeting to approve the Scheme of Arrangement (with or without modifications) will be passed if a majority of Shareholders other than CRH and parties and acting in concert with it (present in person or by proxy) representing not less than 75% in value of the Shares being voted, vote in favour of the resolution. In addition, the Scheme of Arrangement will, in compliance with Rule 2.10 of the Takeovers Code, only be implemented if the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all disinterested Shares (namely, the Shares held by the Shareholders other than CRH and parties acting in concert with it).

The special resolution of the EGM will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM (and consequently the vote will be conducted by poll). All Shareholders will be entitled to attend and vote on such special resolution at the EGM. CRH Group has indicated that if the Scheme of Arrangement is approved at the Court Meeting, they will vote in favour of the special resolution to be proposed at the EGM.

No person shall be recognised by CRC as holding any Shares upon any trust. Any Beneficial Owner whose Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and, or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and, or the EGM. A Beneficial Owner who wishes to attend the Court Meeting and, or the EGM personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and, or the EGM and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and, or the EGM shall be in accordance with all relevant provisions in the articles of association of CRC. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this document.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is an investor participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, the other CCASS participant regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme of Arrangement. The procedure for voting in respect of the Scheme of Arrangement by the investor participants and the other CCASS participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures”.

EXPLANATORY STATEMENT

Notice of Court Meeting is set out on pages 256 to 257 of this document. A form of proxy in respect of the Court Meeting is enclosed with this document. The Court Meeting will be held on 15 June 2006 at the time specified in the notice of the Court Meeting in Hong Kong.

Notice of EGM is set out on pages 258 to 260 of this document. A form of proxy in respect of the EGM is enclosed with this document. The EGM will be held at 10:30 a.m. (or as soon thereafter as the Court Meeting convened for the same day and place shall have been concluded or adjourned) on 15 June 2006 in Hong Kong.

ACTION TO BE TAKEN

Shareholders

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the EGM are enclosed with this document.

Whether or not you are able to attend the Court Meeting and, or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with Standard Registrars Limited, the share registrar of CRC, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 10:00 a.m. (Hong Kong time) on 13 June 2006 and the white form of proxy for use at the EGM should be lodged not later than 10:30 a.m. (Hong Kong time) on 13 June 2006. The pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the EGM may be returned by facsimile at number (852) 31186830 (marked for the attention of "the Company Secretary") not later than 10:00 a.m. (Hong Kong time) on 13 June 2006, or may be handed to the chairman of the Court Meeting at the Court Meeting if they are not so lodged. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

An announcement will be made by CRC on or about 16 June 2006 in relation to the results of the Court Meeting and the EGM. In addition, an announcement will be made on or about 26 July 2006 in relation to the results of the hearing of the petition to sanction the Scheme of Arrangement by the Court and, if the Scheme of Arrangement is sanctioned, the last date of dealings in the Shares on the Stock Exchange, the Record Date, the Effective Date and the date of the withdrawal of the listing of the Shares on the Stock Exchange. Based on the current timetable, the latest time for dealing in the Shares will be 4:00 p.m. on 13 July 2006 and the Record Time will be 4:00 p.m. on 21 July 2006.

EXPLANATORY STATEMENT

If you do not appoint a proxy and you do not attend and vote at the Court Meeting, you will still be bound by the outcome of such Court Meeting. You are therefore strongly urged to attend and vote at the Court Meeting in person or by proxy.

For the purpose of determining the entitlements of Shareholders (other than CRH and parties acting in concert with it) to attend and vote at the Court Meeting and the EGM, the register of members of CRC will be closed from 13 June 2006 to 15 June 2006 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Standard Registrars Limited, the share registrar of CRC, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12 June 2006.

Shareholders (other than CRH Group) must complete and execute an Election Form in accordance with the instructions printed on it in order to elect either the Share Alternative or the Combination Alternative in respect of all the Shares registered under their names at the Record Time, and deliver the duly completed and executed Election Form to the share registrar of CRC, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than the Record Time or such later date and time as may be notified through press announcement. No acknowledgement of receipt of any Election Form will be given.

Assuming the Scheme of Arrangement will become effective on 25 July 2006, any Shareholder (other than CRH Group) (i) who has not returned an Election Form as described above or (ii) who has returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme of Arrangement will receive the Cash Alternative.

If you have sold or transferred all or part of your Shares in the Company, you should at once hand this document and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the Company's share registrar, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at any time before the Record Time.

EXPLANATORY STATEMENT

Any Shareholder (other than CRH Group) who holds Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme of Arrangement and the election of the Share Alternative or Combination Alternative, and may consider whether it wishes to arrange for the registration of the relevant Shares in the name of the Beneficial Owner prior to the Record Time.

The relevant Shareholders should also note the instructions and terms printed on the Election Form enclosed with this document.

Convertible Bondholders

A Convertible Bond Offer Form is enclosed with this document. Any Convertible Bondholders who wish to accept the Convertible Bond Offer must complete and return the duly completed and executed Convertible Bond Offer Form together with the relevant Convertible Bond certificate(s) or other document evidencing the issue of the Convertible Bonds to it, him or her and, any documents of title or entitlement (and, or any satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of outstanding Convertible Bonds which the Convertible Bondholder holds by the Record Time or such later date and time as may be notified to the Convertible Bondholders by Smooth Concept, delivered to the share registrar of the Company, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. No acknowledgement of receipt of any Convertible Bond Offer Form, Convertible Bond certificate or other document evidencing the issue of the Convertible Bonds or other documents of title or entitlement (and, or any satisfactory indemnity or indemnities required in respect thereof) will be given. The consideration payable for the Convertible Bond Offer is determined based on the consideration payable under the Cash Alternative and the conversion price of the Convertible Bonds. Convertible Bondholders should be aware that after the Scheme of Arrangement becomes effective, the Convertible Bonds will no longer be convertible into Shares.

The Convertible Bondholders should also note the instructions printed on the Convertible Bondholder Offer Form.

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNER OF SUCH SHARES THAT GIVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTES AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BY PERSON OR BY COUNSEL AT THE COURT HEARING ON 24 JULY 2006 AT WHICH CRC WILL SEEK THE SANCTION OF THE SCHEME OF ARRANGEMENT.

EXPLANATORY STATEMENT

COSTS OF THE SCHEME OF ARRANGEMENT

In the event that the Scheme of Arrangement becomes effective, the costs of the Scheme of Arrangement will be borne by Smooth Concept. The costs of the Scheme of Arrangement and of its implementation are expected to amount to approximately HK\$9.0 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

In the event that the Scheme of Arrangement is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the independent financial adviser to the aforesaid Independent Board Committee, and the Scheme of Arrangement is not approved at the relevant Shareholders' meeting(s) or does not become unconditional, all the expenses incurred by CRC in connection with the Scheme of Arrangement shall be borne by Smooth Concept.

RECOMMENDATION

Your attention is drawn to the following:

- (i) the paragraph headed "Recommendation" in the "Letter from the Board" set out on pages 11 to 21 of this document;
- (ii) the letter from Anglo Chinese set out on pages 22 to 24 of this document;
- (iii) the letter from the Independent Board Committee set out on pages 25 to 26 of this document; and
- (iv) the letter from Somerley set out on pages 27 to 59 of this document.

FURTHER INFORMATION

Further information is set out in the appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

I. FINANCIAL SUMMARY

Set out below is a summary of the consolidated results for the period from 13 March 2003 (date of incorporation) to 31 December 2003 and for each of the two years ended 31 December 2004 and 2005. The consolidated results for each of the two years ended 31 December 2004 and 2005 were extracted from the audited financial statements for the corresponding years as included in the Annual Report 2005 of CRC. The consolidated result for the period from 13 March 2003 (date of incorporation) to 31 December 2003 was extracted from the audited financial statements for the same period as included in the Annual Report 2003 of CRC, as adjusted for certain new financial reporting standards mentioned in the following paragraph and Part II – Financial Information of this appendix.

Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The financial information for the period from 13 March 2003 (date of incorporation) to 31 December 2003 and for the year ended 31 December 2004 have been restated in accordance with the new HKFRSs.

The financial summary presents the consolidated profit and loss accounts for the period from 13 March 2003 (date of incorporation) to 31 December 2003 and for each of the two years ended 31 December 2004 and 2005 and the consolidated balance sheets as at 31 December 2003, 2004 and 2005 extracted from the CRC’s audited financial statements prepared in accordance with accounting principles generally accepted in Hong Kong (“HKGAAAP”) and in compliance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants for those periods, as adjusted for the new HKFRSs. The CRC Group has no exceptional or extraordinary items during the periods and there is no requirement under HKGAAP to present negative statements in the audited financial statements.

During the past three financial period or years, the last of which ended on 31 December 2005, the auditors’ report did not contain any qualifications. During this period, CRC paid dividends totalling some HK\$19,090,000 for the year ended 31 December 2004, representing a dividend of HK\$0.05 per Share. No dividends or other distributions were paid or declared for the period from 13 March 2003 (date of incorporation) to 31 December 2003 and the year ended 31 December 2005.

Consolidated Profit and Loss Account

	Year ended 31 December		Period from
	2005	2004	13/3/2003
		(Restated)	(date of
	HK\$'000	HK\$'000	incorporation)
			to 31/12/2003
			(Restated)
			HK\$'000
Turnover	1,684,377	1,438,391	543,729
Cost of sales	(1,352,097)	(1,063,538)	(410,913)
Gross profit	332,280	374,853	132,816
Other income	51,760	33,417	20,127
Gain on change in fair value of investment property	27,212	–	–
Selling and distribution expenses	(136,875)	(115,739)	(42,034)
General and administrative expenses	(192,243)	(155,986)	(63,360)
Finance costs	(55,009)	(21,572)	(10,024)
Share of results of associates	(5)	(7)	(3,423)
Profit before taxation	27,120	114,966	34,102
Taxation	(10,265)	(4,631)	(3,254)
Profit for the year/period	<u>16,855</u>	<u>110,335</u>	<u>30,848</u>
Attributable to			
shareholders of the Company	12,529	82,394	23,553
minority interests	4,326	27,941	7,295
	<u>16,855</u>	<u>110,335</u>	<u>30,848</u>
Dividend	–	19,090	–
Earnings per share (HK\$)			
– basic	<u>0.033</u>	<u>0.227</u>	<u>0.114</u>
– diluted	<u>N/A</u>	<u>0.227</u>	<u>0.114</u>
Dividend per share (HK\$)	<u>–</u>	<u>0.05</u>	<u>–</u>

Consolidated Balance Sheet

	At 31 December		
	2005	2004	2003
	HK\$'000	(Restated) HK\$'000	(Restated) HK\$'000
Non-current assets			
Fixed assets	2,850,900	1,338,470	1,180,888
Prepaid lease payments	107,591	71,666	73,912
Investment property	84,568	–	–
Intangible assets	120,557	15,849	10,952
Interest in an associate	60	65	72
Other investments	–	2	35
Retention monies receivable due after one year	–	5,036	4,334
Deposits on acquisition of fixed assets	342,851	66,657	–
Deferred tax assets	15,689	10,454	13,246
	<u>3,522,216</u>	<u>1,508,199</u>	<u>1,283,439</u>
Current assets			
Stocks	176,891	102,424	81,662
Retention monies receivable due within one year	16,507	11,265	9,797
Trade receivables	620,039	405,497	348,739
Other receivables	163,068	69,198	62,538
Pledged bank deposits	72,629	–	1,032
Cash and bank balances	221,362	257,191	332,913
	<u>1,270,496</u>	<u>845,575</u>	<u>836,681</u>

	At 31 December		
	2005	2004	2003
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Current liabilities			
Trade payables	368,439	162,807	150,890
Other payables	294,510	211,135	132,528
Provisions	3,679	3,767	–
Amounts due to fellow subsidiaries	–	448	474
Amounts due to minority shareholders of subsidiaries	4,241	2,808	3,152
Taxation payable	1,410	334	113
Loans from minority shareholders of subsidiaries	–	41,897	–
Bank loans			
Amount due within one year	1,427,881	502,316	558,602
	<u>2,100,160</u>	<u>925,512</u>	<u>845,759</u>
Net current liabilities	<u>(829,664)</u>	<u>(79,937)</u>	<u>(9,078)</u>
Total assets less current liabilities	<u>2,692,552</u>	<u>1,428,262</u>	<u>1,274,361</u>
Non-current liabilities			
Bank loans			
Amount due after one year	557,981	189,234	103,814
Provisions	49,897	53,951	–
Loans from minority shareholders of subsidiaries	–	–	28,937
Advance from a minority shareholder of a subsidiary	–	–	12,194
Convertible bonds	710,009	–	–
Deferred tax liabilities	60,534	41,181	44,836
	<u>1,378,421</u>	<u>284,366</u>	<u>189,781</u>
Net assets	<u>1,314,131</u>	<u>1,143,896</u>	<u>1,084,580</u>
Capital and reserves			
Share capital	38,186	36,281	36,281
Reserves	1,231,434	1,036,854	948,236
Equity attributable to shareholders of the Company	<u>1,269,620</u>	<u>1,073,135</u>	<u>984,517</u>
Minority interests	<u>44,511</u>	<u>70,761</u>	<u>100,063</u>
Total equity	<u>1,314,131</u>	<u>1,143,896</u>	<u>1,084,580</u>

II. FINANCIAL INFORMATION

Set out below are the consolidated profit and loss accounts of the CRC Group for each of the two years ended 31 December 2005 and 2004 and the consolidated balance sheets as at 31 December 2005 and 2004 together with the relevant notes thereto as extracted from CRC's audited financial statements prepared in accordance with HKGAAP and in compliance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants, as set out in CRC's annual report for the year ended 31 December 2005.

Consolidated Profit and Loss Account

		Year ended 31 December	
		2005	2004
			(Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	7	1,684,377	1,438,391
Cost of sales		(1,352,097)	(1,063,538)
		<u> </u>	<u> </u>
Gross profit		332,280	374,853
Other income		51,760	33,417
Gain on change in fair value of investment property	18	27,212	–
Selling and distribution expenses		(136,875)	(115,739)
General and administrative expenses		(192,243)	(155,986)
Finance costs	8	(55,009)	(21,572)
Share of result of an associate		(5)	(7)
		<u> </u>	<u> </u>
Profit before taxation	9	27,120	114,966
Taxation	13	(10,265)	(4,631)
		<u> </u>	<u> </u>
Profit for the year		<u> 16,855 </u>	<u> 110,335 </u>
Attributable to			
shareholders of the Company		12,529	82,394
minority interests		4,326	27,941
		<u> </u>	<u> </u>
		<u> 16,855 </u>	<u> 110,335 </u>
Dividend	14	–	19,090
		<u> </u>	<u> </u>
Earnings per share (<i>HK\$</i>)	15		
– basic		0.033	0.227
		<u> </u>	<u> </u>
– diluted		N/A	0.227
		<u> </u>	<u> </u>

Consolidated Balance Sheet

	<i>Notes</i>	At 31 December	
		2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
Non-current assets			
Fixed assets	16	2,850,900	1,338,470
Prepaid lease payments	17	107,591	71,666
Investment property	18	84,568	–
Intangible assets	19	120,557	15,849
Interest in an associate		60	65
Other investments		–	2
Retention monies receivable due after one year		–	5,036
Deposits on acquisition of fixed assets		342,851	66,657
Deferred tax assets	20	15,689	10,454
		<u>3,522,216</u>	<u>1,508,199</u>
Current assets			
Stocks	21	176,891	102,424
Retention monies receivable due within one year		16,507	11,265
Trade receivables	22	620,039	405,497
Other receivables		163,068	69,198
Pledged bank deposits		72,629	–
Cash and bank balances		221,362	257,191
		<u>1,270,496</u>	<u>845,575</u>

APPENDIX I
FINANCIAL INFORMATION ON THE CRC GROUP

		At 31 December	
		2005	2004
			(Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade payables	23	368,439	162,807
Other payables		294,510	211,135
Provisions	24	3,679	3,767
Amounts due to fellow subsidiaries		–	448
Amounts due to minority shareholders of subsidiaries		4,241	2,808
Taxation payable		1,410	334
Loans from minority shareholders of subsidiaries	25	–	41,897
Bank loans			
Amount due within one year	26	1,427,881	502,316
		<u>2,100,160</u>	<u>925,512</u>
Net current liabilities		<u>(829,664)</u>	<u>(79,937)</u>
Total assets less current liabilities		<u>2,692,552</u>	<u>1,428,262</u>
Non-current liabilities			
Bank loans			
Amount due after one year	26	557,981	189,234
Provisions	24	49,897	53,951
Convertible bonds	27	710,009	–
Deferred tax liabilities	20	60,534	41,181
		<u>1,378,421</u>	<u>284,366</u>
Net assets		<u><u>1,314,131</u></u>	<u><u>1,143,896</u></u>
Capital and reserves			
Share capital	28	38,186	36,281
Reserves	30	1,231,434	1,036,854
Equity attributable to shareholders of the Company		<u>1,269,620</u>	<u>1,073,135</u>
Minority interests		<u>44,511</u>	<u>70,761</u>
Total equity		<u><u>1,314,131</u></u>	<u><u>1,143,896</u></u>

Consolidated Cash Flow Statement

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Cash flows from operating activities		
Profit before taxation	27,120	114,966
Adjustments for:		
Depreciation of fixed assets	127,417	91,302
Amortisation of goodwill	–	6,176
Discount on acquisition released to income	–	(7,880)
Amortisation of mining rights	1,495	967
Gain on change in fair value of investment property	(27,212)	–
Impairment loss recognised in respect of other investments	–	33
Amortisation of prepaid lease payments	2,923	2,233
Expenses recognised in respect of share options granted	5,184	6,262
Interest income	(6,331)	(975)
Interest expenses	55,009	21,572
Share of result of an associate	5	7
Loss on disposal of fixed assets	4,248	5,518
Operating cash inflow before movements in working capital	189,858	240,181
Increase in stocks	(38,828)	(19,142)
Increase in retention monies receivable	(206)	(2,170)
Increase in trade receivables	(207,488)	(56,743)
Increase in other receivables	(67,717)	(1,761)
Increase in trade payables	156,611	9,425
Increase in other payables	20,709	19,801
Decrease in amounts due to fellow subsidiaries	(448)	(26)
Increase (decrease) in amounts due to minority shareholders of subsidiaries	1,433	(344)
Decrease in provisions	(4,142)	(682)
Effect of foreign exchange rate changes on inter-company balances	1,591	(1,144)
Cash generated from operations	51,373	187,395
Hong Kong Profits Tax paid	(5,160)	(4,360)
Chinese Mainland Enterprise Income Tax paid	(1,858)	(368)
Interest paid	(34,989)	(22,099)
Net cash generated from operating activities	9,366	160,568

	<i>Note</i>	Year ended 31 December	
		2005	2004
		<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	31	(121,353)	(21,140)
Purchase of mining rights		(2,906)	–
Increase in prepaid lease payments		(2,336)	–
Acquisition of additional interests in subsidiaries		(62,613)	(14,070)
Interest received		6,331	975
Purchase of fixed assets		(1,160,278)	(200,357)
Proceeds from disposal of fixed assets		2,714	20,599
Increase in deposits on acquisition of fixed assets		(276,194)	(66,657)
(Increase) decrease in pledged bank deposits		(72,629)	1,032
Net cash used in investing activities		<u>(1,689,264)</u>	<u>(279,618)</u>
Cash flows from financing activities			
Issue of convertible bonds		800,000	–
Bank loans raised		1,387,561	402,293
Repayments of bank loans		(482,505)	(373,544)
Repayments of loans from minority shareholders of subsidiaries		(41,897)	–
Capital contributed by minority shareholders of subsidiaries		–	3,810
Dividend paid		(19,090)	–
Dividend paid to minority shareholders of subsidiaries		–	(2,191)
Loan from minority shareholders of subsidiaries raised		–	12,960
Net cash generated from financing activities		<u>1,644,069</u>	<u>43,328</u>
Net decrease in cash and cash equivalents for the year		<u>(35,829)</u>	<u>(75,722)</u>
Cash and cash equivalents at beginning of year		<u>257,191</u>	<u>332,913</u>
Cash and cash equivalents at end of year, representing cash and bank balances		<u><u>221,362</u></u>	<u><u>257,191</u></u>

Consolidated Statement of Changes in Equity
For the year ended 31 December 2005

	Attributable to shareholders of the Company						Total	Minority interests of subsidiaries	Total equity
	Share capital	Share premium	Share-based compensation reserve	Bonds reserve	Translation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2004	36,281	925,919	-	-	(1,236)	23,553	984,517	100,063	1,084,580
Exchange differences (<i>note</i>)	-	-	-	-	(38)	-	(38)	61	23
Recognition of equity-settled share-based payments	-	-	6,262	-	-	-	6,262	-	6,262
Profit for the year	-	-	-	-	-	82,394	82,394	27,941	110,335
Total recognised income and expense for the year	-	-	6,262	-	(38)	82,394	88,618	28,002	116,620
Capital contributed by minority shareholders of subsidiaries	-	-	-	-	-	-	-	3,810	3,810
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(2,191)	(2,191)
Acquisition of subsidiaries	-	-	-	-	-	-	-	(51,714)	(51,714)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	(7,209)	(7,209)
At 31 December 2004	36,281	925,919	6,262	-	(1,274)	105,947	1,073,135	70,761	1,143,896
Effect of adoption of revised accounting policies	-	-	-	-	-	39,132	39,132	-	39,132
At 1 January 2005	36,281	925,919	6,262	-	(1,274)	145,079	1,112,267	70,761	1,183,028
Exchange differences (<i>note</i>)	-	-	-	-	29,952	-	29,952	3,161	33,113
Recognition of equity-settled share-based payments	-	-	5,184	-	-	-	5,184	-	5,184
Profit for the year	-	-	-	-	-	12,529	12,529	4,326	16,855
Total recognised income and expense for the year	-	-	5,184	-	29,952	12,529	47,665	7,487	55,152
Recognition of equity component of convertible bonds	-	-	-	109,913	-	-	109,913	-	109,913
Recognition of deferred tax liabilities charged to equity	-	-	-	(19,235)	-	-	(19,235)	-	(19,235)
Conversion of convertible bonds	5	106	-	(11)	-	-	100	-	100
Acquisition of a subsidiary	-	-	-	-	-	-	-	48,974	48,974
Acquisition of additional interests in subsidiaries	1,900	36,100	-	-	-	-	38,000	(82,711)	(44,711)
Final dividend 2004 paid	-	-	-	-	-	(19,090)	(19,090)	-	(19,090)
At 31 December 2005	38,186	962,125	11,446	90,667	28,678	138,518	1,269,620	44,511	1,314,131

note: Exchange differences represent adjustments arising on translation of financial statements of subsidiaries outside Hong Kong not recognised in the consolidated profit and loss account.

Notes to the Financial Statements**For the year ended 31 December 2005****1. General****A. *Ultimate holding company***

The parent company of the Company is China Resources (Holdings) Company Limited (“CR Holdings”), incorporated in Hong Kong. In the opinion of the Directors, the Company’s ultimate holding company is China Resources National Corporation, a company established in the Chinese Mainland.

B. *Principal activities*

The principal activities of the Group are the production and sale of cement, concrete, precast products and other related products and services.

C. *Basis of preparation of financial statements*

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Group. The financial statements have been prepared under the historical cost convention except for investment property which is measured at fair value and in accordance with accounting principles generally accepted in Hong Kong.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (hereinafter collectively referred to as “new HKFRS(s)”) issued by Hong Kong Institute of Certified Public Accountants that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated profit and loss account, consolidated balance sheet and the consolidated statement of changes in equity.

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to shareholders of the Company. With effect from 1 January 2005, under the new HKAS 1 “Presentation of Financial Statements” and HKAS 27 “Consolidated and Separate Financial Statements”, minority interests at the balance sheet date are presented in the consolidated balance sheet as part of total equity, separately from interests attributable to the shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of profit or loss for the year between minority interests and the shareholders of the Company. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

(a) *Owner-occupied leasehold land*

In previous years, owner-occupied leasehold land and buildings were included in fixed assets and measured using the cost model. In the current year, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is treated as a finance lease. The adoption of this standard has had no material effect on how the results for the current or prior accounting years are prepared and presented.

(b) *Goodwill*

In accordance with HKFRS 3 “Business Combinations”, goodwill arising on acquisitions is recognised as an asset and reviewed for impairment at least annually or more frequently if there are indications that the carrying value may not be recoverable. Any impairment is recognised immediately in the consolidated profit and loss account and is not subsequently reversed. HKFRS 3 requires that, after reassessment, any excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in the consolidated profit and loss account. HKFRS 3 prohibits the recognition of discount on acquisition in the balance sheet.

Goodwill arising from acquisitions prior to 1 January 2005 was amortised over its estimated useful life in previous years. The Group discontinued the amortisation of such goodwill on 31 December 2004 and the related accumulated amortisation of HK\$8,175,000 was eliminated against the cost of goodwill at 1 January 2005.

Discount on acquisition before the date of adoption of the new standard is derecognised and the unamortised balance of HK\$39,132,000 is adjusted to the opening balance of retained profits as at 1 January 2005. This change in accounting policy has not been applied retrospectively.

On disposal of a subsidiary or an associate, the profit and loss is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill.

In the current year, the Group has also applied HKAS 21 “The Effects of Changes in Foreign Exchange Rates” which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior year adjustment has been made. In the current year, the Group acquired a foreign operation, and goodwill arose on the acquisition of that foreign operation has been translated at the closing rate at 30 June 2005, which has insignificant effect in the balance of translation reserve at 31 December 2005.

(c) *Share-based payment*

The Group has granted share options to certain participants to subscribe for shares of the Company in accordance with the Company’s share option scheme. Prior to 1 January 2005, the Group did not recognise the financial effect of the share options until the share options were exercised.

Under HKFRS 2 “Share-based Payment”, the share options granted are classified as equity-settled share-based payments which are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes model.

In accordance with the transitional provisions of HKFRS 2, the standard has been applied retrospectively to all grants of shares options that remained unvested as of 1 January 2005. The change in policy has resulted in a decrease of HK\$5,184,000 in net profits in the current year (1/1/2004 to 31/12/2004: HK\$6,262,000), a decrease of HK\$6,262,000 in retained profits at 31 December 2004 (31/12/2003: Nil) and an increase of HK\$6,262,000 in share-based compensation reserve at 31 December 2004 (31/12/2003: Nil).

(d) Investment property

In the current year, the Group has, for the first time, applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment property to be recognised directly in the profit and loss account for the year in which they arise.

The deferred tax consequences of the investment property are assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover from the property at each balance sheet date.

(e) Financial instruments

The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurements.

Under the new accounting standards, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” are carried at fair value, with changes in fair values recognised in the profit and loss account. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method. “Available-for-sale financial assets” are carried at fair value with changes in fair value recognised in equity except for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably and are stated at cost less impairment.

Financial liabilities are classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method.

In accordance with HKAS 32 “Financial Instruments: Disclosure and Presentation”, convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity. In subsequent years, the liability component is carried at amortised cost using the effective interest method. The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument.

3. Effects of The Adoption of New Accounting Policies

The effects of the adoption of new accounting policies described in Note 2 above on profit for the year are as follows:

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in other income		
Decrease in discount on acquisition released	(10,024)	–
Gain on change in fair value of investment property	27,212	–
Decrease (increase) in general and administration expenses		
Expenses recognised in respect of share options granted	(5,184)	(6,262)
Decrease in amortisation of goodwill	13,821	–
Increase in finance costs		
Interest on the liability component of convertible bonds	(20,020)	–
Decrease (increase) in taxation		
Decrease in deferred tax liabilities relating to interest on the liability component of convertible bonds	3,503	–
Increase in deferred tax liabilities relating to gain on change in fair value of investment property	(8,980)	–
Increase (decrease) in profit for the year	<u>328</u>	<u>(6,262)</u>

APPENDIX I
FINANCIAL INFORMATION ON THE CRC GROUP

The cumulative effects of the adoption of new accounting policies as at 31 December 2004 and 1 January 2005 are summarised below:

	As at 31/12/2004 (originally stated) <i>HK\$'000</i>	Retrospective adjustments <i>HK\$'000</i>	As at 31/12/2004 (restated) <i>HK\$'000</i>	Prospective adjustments <i>HK\$'000</i>	As at 1/1/2005 (restated) <i>HK\$'000</i>
Balance sheet items					
Impact of HKAS 17:					
Fixed assets	1,408,403	(69,933)	1,338,470	–	1,338,470
Prepaid lease payments	3,963	69,933	73,896	–	73,896
Impact of HKFRS 3:					
Intangible assets	15,849	–	15,849	39,132	54,981
Impact of HKFRS 2:					
Share-based compensation reserve	–	6,262	6,262	–	6,262
Impact of HKAS 1 and HKAS 27:					
Minority interests	–	70,761	70,761	–	70,761
Retained profits	112,209	(6,262)	105,947	39,132	145,079
Total effects on equity	112,209	70,761	182,970	39,132	222,102
Minority interests	<u>70,761</u>	<u>(70,761)</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The Directors expect that the application of these standards or interpretations will not have any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosure ¹
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates, Net Investment in a Foreign Operation ²

HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 and HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS - INT 4	Determining whether an Arrangement contains a Lease ²
HKFRS - INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK (IFRIC) - INT 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ³
HK (IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

1. *Effective for annual periods beginning on or after 1 January 2007.*

2. *Effective for annual periods beginning on or after 1 January 2006.*

3. *Effective for annual periods beginning on or after 1 December 2005.*

4. *Effective for annual periods beginning on or after 1 March 2006.*

4. Principal Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 4B below.

The results of subsidiaries and associates acquired or disposed of during the year 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.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

Acquisition of additional interests of subsidiaries that do not result in a change in control do not fall within the definition of business combination under HKFRS 3. The excess of the cost of acquisition over the carrying value of the minority interest is recognised as goodwill.

B. 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. In the consolidated balance sheet, interests in associates is stated at the Group's share of net assets of the associates plus goodwill arising on acquisitions, less any impairment loss.

C. 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, liabilities and contingent liabilities of the acquired subsidiary or an associate at the date of acquisition.

Goodwill arising from acquisition of subsidiaries prior to 1 January 2005 was recognised as an asset and is stated at cost less accumulated amortisation up to 31 December 2004 and any impairment loss as set out in Note 2(b) above .

Goodwill arising from acquisition of subsidiaries after 31 December 2004 is recognised as an asset and is stated at cost less any impairment loss as set out in Note 2(b) above.

Impairment loss recognised is not reversed in a subsequent period.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

D. Discount on acquisition

Discount on acquisition arising from acquisitions of subsidiaries or associates represents the excess of the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition.

Discount on acquisition arising on acquisitions before the date of adoption of the new accounting policy as set out in Note 2(b) above is derecognised and the unamortised balance is adjusted to the opening balance of retained profits as at 1 January 2005.

Discount on acquisition arising on acquisitions from 1 January 2005 is released immediately to the consolidated profit and loss account.

E. 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
Others	3 to 16 ² / ₃ 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 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.

F. Investment property

Investment property is accounted for using the fair value model. Gains or losses arising from change in fair value are recognised directly as profit or loss for the year in which they arise.

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. Financial instruments

Financial assets and liabilities are recognised on the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Convertible bonds

Convertible bonds issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in equity (bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in bonds reserve until the embedded option is exercised in which case the balance stated in bonds reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in bonds reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

J. Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

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.

K. 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.

L. 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. 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 years, 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 discount on acquisition) or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax 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 year 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.

M. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

N. 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.

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.

O. 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.

P. Share option schemes

When options are granted to eligible participants to subscribe for shares of the Company in accordance with the Company's share option schemes, the share options granted are classified as equity-settled share-based payments which are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with the corresponding entry charged directly to equity. Fair value is measured using the Black-Scholes model.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

Key sources of estimation uncertainty

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amount of goodwill is HK\$70,141,000. Details of the recoverable amount calculation are disclosed in Note 19.

Income taxes

As at 31 December 2005, a deferred tax asset of HK\$15,689,000 in relation to unused tax losses has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit and loss account for the period in which such a reversal takes place.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include borrowings, trade receivables, trade payables and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

7. Turnover and Segment Information

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

Commencing from the current year, the Group has reported separately a business segment, namely Precast Products, which has been engaged in the business of precast products manufacturing and was grouped under Concrete Segment in the prior years. The Directors considered that the business of precast products is subject to risks and returns that are different from those of other business segments of the Group and should be reported as a separate business segment. The relevant comparative information for the year ended 31 December 2004 has been reclassified accordingly.

*Primary reporting format – business segments**Profit and loss account*

For the year ended 31 December 2005

	Cement	Concrete	Precast Products	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover					
External sales	813,456	672,859	198,062	–	1,684,377
Inter-segment sales	130,956	64	–	(131,020)	–
	<u>944,412</u>	<u>672,923</u>	<u>198,062</u>	<u>(131,020)</u>	<u>1,684,377</u>

Inter-segment sales are charged at prevailing market prices.

Results

Segment results	66,444	42,944	(33,938)	–	75,450
Interest income					6,331
Gain on change in fair value of investment property					27,212
Unallocated corporate expenses					(26,859)
Finance costs					(55,009)
Share of result of an associate	–	(5)	–	–	(5)
Profit before taxation					27,120
Taxation					(10,265)
Profit for the year					<u>16,855</u>

For the year ended 31 December 2004

(Restated)

	Cement	Concrete	Precast Products	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	724,453	499,910	214,028	–	1,438,391
Inter-segment sales	113,894	265	–	(114,159)	–
	<u>838,347</u>	<u>500,175</u>	<u>214,028</u>	<u>(114,159)</u>	<u>1,438,391</u>

Inter-segment sales are charged at prevailing market prices.

Results

Segment results	129,651	31,750	(1,114)	–	160,287
Interest income					975
Unallocated					
corporate expenses					(24,717)
Finance costs					(21,572)
Share of result of					
an associate	–	(7)	–	–	(7)
Profit before taxation					114,966
Taxation					(4,631)
Profit for the year					<u>110,335</u>

Balance sheet

At 31 December 2005

	Cement <i>HK\$'000</i>	Concrete <i>HK\$'000</i>	Precast Products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	3,457,414	636,406	224,647	4,318,467
Interests in an associate	–	60	–	60
Deferred tax assets				15,689
Unallocated corporate assets				458,496
				<u>4,792,712</u>
Liabilities				
Segment liabilities	496,841	140,890	75,779	713,510
Tax liabilities				61,944
Unallocated corporate liabilities				2,703,127
				<u>3,478,581</u>

At 31 December 2004
(Restated)

	Cement <i>HK\$'000</i>	Concrete <i>HK\$'000</i>	Precast Products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	1,347,218	517,346	225,698	2,090,262
Interests in an associate	–	65	–	65
Deferred tax assets				10,454
Unallocated corporate assets				252,993
				<u>2,353,774</u>
Liabilities				
Segment liabilities	267,914	99,862	64,454	432,230
Tax liabilities				41,515
Unallocated corporate liabilities				736,133
				<u>1,209,878</u>

*Other information***For the year ended 31 December 2005**

	Cement	Concrete	Precast	Corporate	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions to fixed assets	1,110,330	40,618	4,048	482	1,155,478
Additions to intangible assets	2,906	–	–	–	2,906
Depreciation of fixed assets	89,281	29,182	8,808	146	127,417
Amortisation of mining rights	1,495	–	–	–	1,495
Amortisation of prepaid lease payments	2,923	–	–	–	2,923

For the year ended 31 December 2004*(Restated)*

	Cement	Concrete	Precast	Corporate	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions to fixed assets	142,885	62,721	16,555	–	222,161
Depreciation of fixed assets	59,736	24,395	7,168	3	91,302
Amortisation of goodwill	–	6,176	–	–	6,176
Amortisation of mining rights	967	–	–	–	967
Amortisation of prepaid lease payments	2,233	–	–	–	2,233
Release of negative goodwill to income	(6,021)	(1,859)	–	–	(7,880)

Secondary reporting format – geographical segments by location of customers and physical location of assets

For the year ended 31 December 2005

	Turnover <i>HK\$'000</i>	Additions to intangible assets <i>HK\$'000</i>	Additions to fixed assets <i>HK\$'000</i>
Chinese Mainland	1,265,752	2,906	1,150,862
Hong Kong	418,625	–	4,616
	<u>1,684,377</u>	<u>2,906</u>	<u>1,155,478</u>

At 31 December 2005

	Segment assets <i>HK\$'000</i>
Chinese Mainland	3,791,759
Hong Kong	985,264
	<u>4,777,023</u>

For the year ended 31 December 2004

	Turnover <i>HK\$'000</i>	Additions to intangible assets <i>HK\$'000</i>	Additions to fixed assets <i>HK\$'000</i>
Chinese Mainland	926,777	–	212,733
Hong Kong	511,614	–	9,428
	<u>1,438,391</u>	<u>–</u>	<u>222,161</u>

At 31 December 2004

	Segment assets <i>HK\$'000</i>
Chinese Mainland	1,559,014
Hong Kong	784,306
	<u>2,343,320</u>

8. Finance Costs

	Year ended 31 December	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	61,990	20,864
Loans from minority shareholders of subsidiaries	184	1,235
Convertible bonds	20,020	–
	<u>82,194</u>	<u>22,099</u>
<i>Less:</i> Amount capitalised to fixed assets	(27,185)	(527)
	<u>55,009</u>	<u>21,572</u>

Capitalisation rate of borrowing costs are calculated at 4.32% (2004: 5.17%) to expenditure on qualifying assets.

9. Profit before Taxation

	Year ended 31 December	
	2005	2004
		(Restated)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (<i>Note 10</i>)	6,412	5,787
Pension costs and mandatory provident fund contributions, excluding Directors	6,337	5,649
Other staff costs	151,759	135,137
Total staff costs	164,508	146,573
Depreciation of fixed assets	127,417	91,302
Amortisation of goodwill (included in general and administrative expenses)	–	6,176
Amortisation of mining rights (included in general and administrative expenses)	1,495	967
Amortisation of prepaid lease payments (included in general and administrative expenses)	2,923	2,233
Auditors' remuneration	2,072	1,636
Expenses recognised in respect of share options granted	5,184	6,262
Impairment loss recognised in respect of other investments	–	33
Operating lease payments in respect of rented premises	18,113	18,607
motor vehicles	2,229	1,531
Loss on disposal of fixed assets	4,248	5,518
and after crediting:		
Interest income	6,331	975
Release of discount on acquisition included in other income	–	7,880
Exchange gain	19,805	4,158

10. Directors' Emoluments

Year ended 31 December	2005					2004
Name of Director	Directors' fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Pension costs and mandatory provident fund contributions <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Total <i>HK\$'000</i>	Total <i>HK\$'000</i>
Qiao Shibo	-	-	-	-	-	-
Shi Shanbo	-	720	59	660	1,439	1,186
Zhou Junqing	-	660	56	520	1,236	1,123
Zhou Longshan	-	653	88	470	1,211	1,118
Sun Mingquan	-	600	53	460	1,113	1,030
Zheng Yi	-	600	53	460	1,113	1,030
Jiang Wei	-	-	-	-	-	-
Keung Chi Wang, Ralph	-	-	-	-	-	-
Chan Mo Po, Paul	100	-	-	-	100	100
Lin Zongshou	100	-	-	-	100	100
Lui Pui Kee, Francis	100	-	-	-	100	100
	<u>300</u>	<u>3,233</u>	<u>309</u>	<u>2,570</u>	<u>6,412</u>	<u>5,787</u>

Expenses recognised in respect of share options granted to Directors, who are key management of the Group, during the year amounted to HK\$2,840,000 (2004: HK\$3,369,000).

11. Five Highest Paid Employees

The five highest paid employees during the year included three (2004: four) Directors, details of whose emoluments are set out in Note 10 above. The details of the emoluments paid to the other two (2004: one) highest paid employee are as follows:

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	2,322	1,176
Pension costs and mandatory provident fund contributions	51	12
	<u>2,373</u>	<u>1,188</u>

Their emoluments were within the following band:

	Number of employees	
	2005	2004
HK\$1,000,001 to \$1,500,000	<u>2</u>	<u>1</u>

12. 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 ("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.

13. Taxation

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong Profits Tax	5,963	5,227
Chinese Mainland		
Enterprise Income Tax	2,105	(278)
	<u>8,068</u>	<u>4,949</u>
Deferred taxation		
Hong Kong	(13,204)	(4,353)
Chinese Mainland	15,401	4,035
	<u>2,197</u>	<u>(318)</u>
	<u><u>10,265</u></u>	<u><u>4,631</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

Certain 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.

For the year ended 31 December 2004, the credit of Chinese Mainland Enterprise Income Tax represents the overprovision in the prior period.

During the year ended 31 December 2005, tax inquiries have been raised by the Inland Revenue Department in Hong Kong (“IRD”) on a subsidiary of the Company in respect of the years of assessment from February 2001 to April 2003. Notice of additional assessment in an aggregate amount of HK\$2,995,000 were issued to the subsidiary and objection were properly lodged with the IRD. In the opinion of the directors of the Company, the outcome of this matters cannot be determined with reasonable certainty at this stage as the tax inquiries is still in progress. In addition, in the opinion of the directors of the Company, the taxation liabilities have been properly accounted for in respect of these years. Accordingly, no provision has been made in the financial statements in respect of the potential tax liabilities, if any, resulting from the tax inquiries.

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

	Year ended 31 December	
	2005	2004
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>27,120</u>	<u>114,966</u>
Tax at Hong Kong Profits Tax rate of 17.5%	4,746	20,119
Tax effect of expenses that are not deductible in determining taxable profit	10,128	2,703
Tax effect of income that are not taxable in determining taxable profit	(4,295)	(3,502)
Tax effect of utilisation of tax losses not previously recognised	(58)	(4,418)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,889)	(9,993)
Under (over) provision in the prior period	<u>2,633</u>	<u>(278)</u>
Tax expense for the year	<u>10,265</u>	<u>4,631</u>

14. Dividend

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend proposed Nil (2004: HK5 cents per share)	–	19,090

On 28 February 2005, the Directors proposed a final dividend of HK5 cents per share in respect of the year ended 31 December 2004. This dividend was not recognised as a liability in the financial statements for the year ended 31 December 2004 and was charged to retained profits when the dividend was paid in May 2005.

15. Earnings per Share

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

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Earnings		
Profit attributable to shareholders of the Company for the purpose of calculating basic and diluted earnings per share	12,529	82,394

	Year ended 31 December	
	2005	2004
	'000	'000
Number of Shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	379,039	362,807
Effect on dilutive potential shares on share options	N/A	612
Weighted average number of shares for the purpose of calculating diluted earnings per share	N/A	363,419

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market prices of shares for 2005. The computation of diluted earnings per share does not assume the conversion of the Group's convertible bonds since their exercise would result in an increase in earnings per share.

Impact of the adoption of new and revised accounting policies

The Group's adoption of new and revised accounting policies during the year are described in detail in Note 2. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summaries that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Figures before adjustments	0.032	0.244	N/A	0.244
Adjustment arising from the adoption of new and revised accounting policies	0.001	(0.017)	N/A	(0.017)
As reported/restated	0.033	0.227	N/A	0.227

16. Fixed Assets

	Land and buildings HK\$'000	Silo HK\$'000	Plant and machinery HK\$'000	Barge and pier HK\$'000	Others HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1 January 2004	404,879	185,491	759,125	77,848	160,057	63,343	1,650,743
Exchange adjustments	212	237	811	96	155	88	1,599
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	(9,841)	(3,133)	(10,464)	–	(5,944)	–	(29,382)
At 31 December 2004	452,287	201,293	796,819	92,048	222,553	158,158	1,923,158
Exchange adjustments	6,317	4,314	20,526	2,210	3,921	3,802	41,090
Acquisition of subsidiaries	113,789	–	280,046	26,255	20,042	79,987	520,119
Additions	14,335	1,239	13,797	–	70,492	1,055,615	1,155,478
Transfer to investment property	–	–	–	–	–	(55,446)	(55,446)
Transfer from (to) construction in progress	9,922	2,714	126,613	–	3,932	(143,181)	–
Disposals	(7,768)	–	(4,881)	–	(771)	–	(13,420)
At 31 December 2005	588,882	209,560	1,232,920	120,513	320,169	1,098,935	3,570,979
ACCUMULATED DEPRECIATION							
As 1 January 2004	57,066	28,915	297,347	14,713	71,813	–	469,854
Exchange adjustments	11	15	137	13	11	–	187
Acquisition of subsidiaries	9,189	–	3,860	–	13,586	–	26,635
Charge for the year	14,999	7,178	48,974	5,458	14,693	–	91,302
Written back on disposals	(990)	(451)	(401)	–	(1,448)	–	(3,290)
At 31 December 2004	80,275	35,657	349,917	20,184	98,655	–	584,688
Exchange adjustments	700	660	5,636	417	982	–	8,395
Acquisition of subsidiaries	731	–	4,202	169	806	–	5,908
Charge for the year	20,245	7,600	70,800	5,247	23,525	–	127,417
Written back on disposals	(3,262)	–	(2,769)	–	(298)	–	(6,329)
At 31 December 2005	98,689	43,917	427,786	26,017	123,670	–	720,079
NET BOOK VALUES							
At 31 December 2005	<u>490,193</u>	<u>165,643</u>	<u>805,134</u>	<u>94,496</u>	<u>196,499</u>	<u>1,098,935</u>	<u>2,850,900</u>
At 31 December 2004	<u>372,012</u>	<u>165,636</u>	<u>446,902</u>	<u>71,864</u>	<u>123,898</u>	<u>158,158</u>	<u>1,338,470</u>

	At 31/12/2005	At 31/12/2004 (Restated)
	<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	19,210	19,699
– medium-term leases	196,934	214,566
Properties in Chinese Mainland held on		
– medium-term leases	243,836	121,243
– short-term leases	30,213	16,504
	<u>490,193</u>	<u>372,012</u>

Included in construction in progress is net interest capitalised of approximately HK\$26,078,000 (2004: HK\$1,099,000).

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

17. Prepaid Lease Payments

	2005	2004 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total prepaid lease payments		
Medium-term leasehold land in the Chinese Mainland	110,615	73,896
<i>Less:</i> Amount charged within one year (included in other receivables)	(3,024)	(2,230)
	<u>107,591</u>	<u>71,666</u>

18. Investment Property

	<i>HK\$'000</i>
At 1 January 2005	–
Transfer from construction in progress	55,446
Change in fair value recognised in the profit and loss account	27,212
Exchange adjustment	1,910
	<hr/>
At 31 December 2005	<u>84,568</u>

During the year ended 31 December 2005, the Group completed the final stage of construction of a pier. Before the transfer of the pier to investment property, the carrying value of the pier amounted to HK\$55,446,000. The pier was valued by DTZ Debenham, an independent valuer not connected with the Group, at 31 December 2005 of RMB88,000,000 (equivalent to HK\$84,568,000), on market value approach and depreciated replacement cost approach, where applicable. DTZ Debenham have appropriate valuation qualifications and experience. The valuation conforms to International Valuation Standards. The resulting increase in fair value of investment property of HK\$27,212,000 and the related increase in deferred tax liabilities of HK\$8,980,000 have been recognised in the consolidated profit and loss account.

The carrying value of investment property shown above comprises land outside Hong Kong under medium-term lease.

19. Intangible Assets

	Goodwill <i>HK\$'000</i>	Discount on acquisition <i>HK\$'000</i>	Mining rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP COST				
At 1 January 2004	23,986	(37,259)	23,385	10,112
Exchange adjustments	–	–	33	33
Acquisition of subsidiaries	10,125	(12,859)	–	(2,734)
Acquisition of additional interest in subsidiaries	6,861	–	–	6,861
At 31 December 2004	40,972	(50,118)	23,418	14,272
Exchange adjustments	–	–	1,151	1,151
Eliminated against cost	(8,175)	–	–	(8,175)
Derecognised and adjusted to retained profits	–	50,118	–	50,118
Additions	–	–	2,906	2,906
Acquisition of subsidiaries	19,442	–	25,904	45,346
Acquisition of additional interest in subsidiaries	17,902	–	–	17,902
At 31 December 2005	70,141	–	53,379	123,520
AMORTISATION				
At 1 January 2004	1,999	(3,106)	267	(840)
Charge (release) for the year	6,176	(7,880)	967	(737)
At 31 December 2004	8,175	(10,986)	1,234	(1,577)
Exchange adjustments	–	–	61	61
Eliminated against cost	(8,175)	–	–	(8,175)
Derecognised and adjusted to retained profits	–	10,986	–	10,986
Acquisition of subsidiaries	–	–	173	173
Charge for the year	–	–	1,495	1,495
At 31 December 2005	–	–	2,963	2,963
NET BOOK VALUES				
At 31 December 2005	<u>70,141</u>	<u>–</u>	<u>50,416</u>	<u>120,557</u>
At 31 December 2004	<u>32,797</u>	<u>(39,132)</u>	<u>22,184</u>	<u>15,849</u>

Goodwill with indefinite useful lives has been allocated to two individual cash generating units (“CGUs”), namely cement and concrete businesses. The carrying amounts of goodwill as at 31 December 2005 allocated to these units are as follows:

	Goodwill <i>HK\$'000</i>
Cement	37,344
Concrete	32,797
	<hr/>
	70,141
	<hr/> <hr/>

During the year ended 31 December 2005, management of the Group determines that there are no impairments of any of its CGUs containing goodwill with indefinite useful lives.

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 5%. No growth rate is assumed in the calculation. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's part performance and management's expectations for the market development.

20. Deferred Taxation

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

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Change in fair value of investment property <i>HK\$'000</i>	Interest on convertible bonds <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	(44,836)	13,246	–	–	(31,590)
Acquisition of subsidiaries	–	545	–	–	545
Credit (charge) to income (<i>Note 13</i>)	3,655	(3,337)	–	–	318
At 31 December 2004	(41,181)	10,454	–	–	(30,727)
Exchange adjustments	–	205	(186)	–	19
Charge to bonds reserve	–	–	–	(19,235)	(19,235)
Acquisition of subsidiaries	–	7,295	–	–	7,295
Credit (charge) to income (<i>Note 13</i>)	5,541	(2,265)	(8,980)	3,507	(2,197)
At 31 December 2005	<u>(35,640)</u>	<u>15,689</u>	<u>(9,166)</u>	<u>(15,728)</u>	<u>(44,845)</u>
			At 31/12/2005	At 31/12/2004	
			<i>HK\$'000</i>	<i>HK\$'000</i>	
Deferred tax liabilities			(60,534)	(41,181)	
Deferred tax assets			15,689	10,454	
			<u>(44,845)</u>	<u>(30,727)</u>	

21. Stocks

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables	153,752	79,415
Work in progress	4,706	2,793
Finished goods	18,433	20,216
	<u>176,891</u>	<u>102,424</u>

22. Trade Receivables

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from customers	599,901	395,986
Trade receivables from fellow subsidiaries	15,980	1,986
Trade receivables from minority shareholders of subsidiaries	4,158	7,525
	<u>620,039</u>	<u>405,497</u>

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

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	417,989	283,663
91 – 180 days	111,113	75,109
181 – 365 days	62,267	24,990
Over 365 days	28,670	21,735
	<u>620,039</u>	<u>405,497</u>

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

Cement and Concrete

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

Precast Products

- (a) Open credit from 30 to 60 days; and
- (b) Upon completion of the final accounts of the contracts.

23. Trade Payables

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables to suppliers	343,837	134,803
Trade payables to fellow subsidiaries	24,602	24,046
Trade payables to minority shareholders of subsidiaries	–	3,958
	<u>368,439</u>	<u>162,807</u>

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

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	274,445	131,718
91 – 180 days	62,989	15,449
181 – 365 days	21,004	6,027
Over 365 days	10,001	9,613
	<u>368,439</u>	<u>162,807</u>

24. Provisions

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At 1 January 2005	57,718	–
Acquisition of a subsidiary	–	58,400
Paid during the year	(4,142)	(682)
	<u>53,576</u>	<u>57,718</u>
At 31 December 2005	<u>53,576</u>	<u>57,718</u>
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Analysed for reporting purposes as:		
Non-current liabilities	49,897	53,951
Current liabilities	3,679	3,767
	<u>53,576</u>	<u>57,718</u>

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

25. Loans From Minority Shareholders of Subsidiaries

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

26. Bank Loans

Bank loans are repayable as follows:

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,427,881	502,316
After one year but within two years	245,536	104,697
After two years but within three years	235,926	84,537
After three years but within four years	49,491	–
After four years but within five years	27,028	–
	<u>1,985,862</u>	<u>691,550</u>
<i>Less: Amount due within one year included in the current liabilities</i>	<u>(1,427,881)</u>	<u>(502,316)</u>
Amount due after one year	<u><u>557,981</u></u>	<u><u>189,234</u></u>
Secured	244,391	282,690
Unsecured	<u>1,741,471</u>	<u>408,860</u>
	<u><u>1,985,862</u></u>	<u><u>691,550</u></u>

The average interest rate paid during the year was 4.6% (2004: 3.1%).

The bank loans are denominated in the following currencies.

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	726,663	379,546
Renminbi	1,259,199	294,941
United States dollars	–	17,063
	<u><u>1,985,862</u></u>	<u><u>691,550</u></u>

27. Convertible Bonds

The unsecured zero coupon convertible bonds were issued on 13 January 2005 by China Resources Cement Finance Limited, a wholly owned subsidiary, and are convertible into shares of the Company at the initial conversion price of HK\$2.00 per share at any time after the date of issue.

If the convertible bonds have not been converted, they will be redeemed on 14 January 2010 at their principal amount.

The net proceeds received from the issue of the convertible bonds have been split between a liability component and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	<i>HK\$'000</i>
Nominal value of convertible bonds issued	800,000
Equity component	(109,913)
	<hr/>
Liability component at date of issue	690,087
Interest charged	20,020
Conversion of bonds to shares	(98)
	<hr/>
Liability component at 31 December 2005	<u><u>710,009</u></u>

The interest charged for the year was calculated at an effective interest rate of 3% per annum to the liability component which was determined when the bonds were issued.

28. Share Capital

	Number of shares	Amount HK\$'000
Share of HK\$0.10 each:		
Authorised:		
At the date of		
1 January 2004,		
31 December 2004		
and 31 December 2005	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2004 and		
31 December 2004	362,807,461	36,281
Issue of new shares (<i>note</i>)	19,000,000	1,900
Conversion of Bonds		
into shares	<u>56,000</u>	<u>5</u>
At 31 December 2005	<u>381,863,461</u>	<u>38,186</u>

note:

On 23 February 2005, the Company issued 19,000,000 shares of HK\$0.10 each in the Company, credited as fully paid at par, as consideration for the acquisition of the remaining 25% equity interest in China Resources Dongguan Cement Manufactory Holdings Limited. The new shares rank pari passu with the existing shares in all respects.

29. 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.

Options granted to a Participant are lapsed if the Participant ceased to be an eligible participant pursuant to the Scheme before the options are vested.

APPENDIX I
FINANCIAL INFORMATION ON THE CRC GROUP

Details of the share options granted under the Scheme during the year and outstanding at 31 December 2005 were as follows:

Name of Participant	Date of grant	Exercise price (HK\$)	Number of shares issuable under the options granted						
			Outstanding at 01/01/2004 (‘000)	Granted during the year (‘000)	Lapsed during the year (‘000)	Outstanding at 31/12/2004 (‘000)	Lapsed during the year (‘000)	Outstanding at 31/12/2005 (‘000)	Exercisable at 31/12/2005 (‘000)
Directors	5 December 2003	2.325	14,300	-	-	14,300	-	14,300	5,720
	16 December 2004	1.660	-	4,800	-	4,800	-	4,800	1,200
Employees other than Directors	5 December 2003	2.325	12,440	-	(860)	11,580	(750)	10,830	4,332
	16 December 2004	1.660	-	3,700	-	3,700	(130)	3,570	893
Other Participants	5 December 2003	2.325	1,740	-	-	1,740	(700)	1,040	416
			<u>28,480</u>	<u>8,500</u>	<u>(860)</u>	<u>36,120</u>	<u>(1,580)</u>	<u>34,540</u>	<u>12,561</u>

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

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

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

From	To	Number exercisable
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

The fair values of options granted in 2004 were calculated using The Black-Scholes pricing model which is considered by the Directors to be the best pricing model currently available for estimating the fair values of these options. The inputs into the model were as follows:

Share price at date of grant	HK\$1.66
Exercise price	HK\$1.66
Expected volatility	49%
Expected life in years	4
Risk free rate	3.0%
Expected dividend yield	2.35%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

30. Reserves

The retained profits of the Group include deficit of HK\$19,000 (2004: HK\$14,000) attributable to the associate.

At 31 December 2005, the Company's distributable reserves amounted to HK\$971,053,000 (2004: HK\$919,710,000).

31. Acquisition of Subsidiaries

On 13 January 2005, the Group acquired 73.5% equity interest of CR Pingnan Cement through the acquisition of the entire share capital of Tricot Limited and the related shareholder's loan from CR Holdings at the aggregate consideration of HK\$151.7 million, which was based on the original investment costs of CR Holdings plus interest at 0.5% above Hong Kong Interbank Offered Rate accruing from the period commencing on the respective dates of payments of such investment (whether in the form of capital contribution or shareholders' loans) up to the date of such transfer.

The book value and fair value of net assets of subsidiaries acquired and the goodwill arising during the year are as follows:

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	514,211	51,402
Mining rights	25,731	–
Prepaid lease payments	34,831	–
Deferred tax assets	7,295	545
Stocks	35,639	1,620
Trade receivables	7,054	15
Other receivables	25,357	4,805
Advance to a subsidiary of the Company	–	12,194
Cash and bank balances	33,924	12,489
Trade payables	(49,021)	(2,492)
Other payables	(67,466)	(23,527)
Provisions	–	(58,400)
Bank loans	(382,746)	–
	<u>184,809</u>	<u>(1,349)</u>
Minority interests	(48,974)	51,714
Goodwill on acquisition	19,442	10,125
Discount on acquisition	–	(12,859)
	<u>155,277</u>	<u>47,631</u>
Total consideration	<u><u>155,277</u></u>	<u><u>47,631</u></u>

	Year ended 31 December	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Discharged by:		
Cash paid to vendor	151,693	33,629
Direct expenses paid in connection with acquisition of subsidiaries	3,584	–
Deferred consideration included in other payables	–	14,002
	<u>155,277</u>	<u>47,631</u>
Net outflow of cash and cash equivalents:		
Total cash paid	(155,277)	(33,629)
Cash and bank balances acquired	33,924	12,489
	<u>(121,353)</u>	<u>(21,140)</u>

The goodwill arising from the acquisition of Tricot Limited is attributable to the anticipated profitability of the distribution of the Group's products and the anticipated future operating synergies from the combination.

Tricot Limited contributed turnover of approximately HK\$344.0 million and profit before taxation of approximately HK\$61.4 million to the Group during the period from 13 January 2005 (date of acquisition) to 31 December 2005.

If the acquisition had been completed on 1 January 2005, total turnover and profit for the year of the Group would be HK\$1,705.5 million and HK\$13.4 million respectively. The proforma information is for illustrative purposes only and is not necessarily an indicative revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

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

32. Major Non-cash Transaction

In February 2005, the Group acquired the remaining 25% equity interest in China Resources Dongguan Cement Manufactory Holdings Limited from the then minority shareholders. The consideration of HK\$38,000,000 was satisfied by the issue and allotment of 19,000,000 shares of HK\$0.10 each in the Company, credited as fully paid at par. The fair value of the shares of the Company, determined by reference to the published price available at the date of the acquisition, amounted to HK\$38,000,000.

33. 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:

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,302	5,850
In the second to fifth year inclusive	14,850	10,119
Over five years	16,547	6,457
	<u>40,699</u>	<u>22,426</u>

Operating lease payments represent rentals payable for certain of its rented premises. Leases are negotiated for an average term of seven years.

34. Contingent Liabilities

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to financial institutions to facilitate hire purchase loans granted to the Group's sub-contractors	<u>40</u>	<u>288</u>

35. Capital Commitments

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

	At 31/12/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for but not provided for	585,135	497,223
Authorised but not contracted for	188,154	339,387
	<u>773,289</u>	<u>836,610</u>

36. Pledge of Assets

At 31 December 2005, 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\$21,728,000, HK\$78,608,000, HK\$191,121,000, HK\$51,853,000 and HK\$7,887,000 (2004: HK\$76,764,000, HK\$101,898,000, HK\$275,073,000, HK\$53,194,000 and HK\$25,360,000) respectively to banks to secure bank facilities granted to the Group.

37. Related Party Transactions

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

		Year ended 31 December	
		2005	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods to fellow subsidiaries	<i>(a)</i>	20,237	19,182
Purchase of goods from fellow subsidiaries	<i>(b)</i>	78,987	55,262
Rent paid to fellow subsidiaries	<i>(a)</i>	2,357	1,145
Testing services provided to fellow subsidiaries	<i>(a)</i>	<u>76</u>	<u>100</u>

notes:

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

38. Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Nominal value of issued ordinary shares	Proportion of nominal value of issued shares held by the Company		Principal activities
		Directly	Indirectly	
Companies incorporated in Hong Kong				
Bigwood Limited	HK\$20	–	100%	Property investment
China Resources Dongguan Cement Manufactory Holdings Limited	HK\$150,000,000	–	100%	Investment holding and trading of cement and related products
First Route Limited	HK\$2	–	100%	Property holding
General Perfect Limited	HK\$2	–	100%	Property holding
Profit Success Development Limited	HK\$10,000	–	100%	Property holding
Quality Control Consultants Limited	HK\$200,000	–	100%	Concrete testing and consultancy services
Redland Ash Limited	HK\$2	–	100%	Trading of fly ash
Redland Concrete Limited	HK\$10	–	100%	Manufacture and sale of concrete
Redland Concrete (China) Limited	HK\$2	–	100%	Holding of barge

Name of subsidiary	Nominal value of issued ordinary shares	Proportion of nominal value of issued shares held by the Company		Principal activities
		Directly	Indirectly	
Companies incorporated in Hong Kong				
Redland Concrete Connections Limited	HK\$2	–	100%	Trading of dry mortars
Redland Construction Materials Limited	HK\$2	–	100%	Trading of construction materials
Redland Mortars Limited	HK\$2	–	100%	Trading of mortars
Redland Precast Concrete Products Limited	HK\$70,000,000	–	100%	Manufacture and sale of precast products
Redland Quarries Limited	HK\$2	–	100%	Holding of tug boat
Redland Shotcrete Limited	HK\$2	–	100%	Trading of shotcrete
Sinoking Logistics Limited	HK\$2	–	100%	Holding of barge
Sinoking Shipping Limited	HK\$2	–	100%	Holding of barge
Standard Wealth Investment Limited	HK\$2	–	100%	Property holding

APPENDIX I
FINANCIAL INFORMATION ON THE CRC GROUP

Name of subsidiary	Form of legal entity	Nominal value of registered capital	Proportion of nominal value of registered capital held by the Company		Principal activities
			Directly	Indirectly	
Companies established in the Chinese Mainland					
China Resources Cement (Guigang) Limited	Wholly Foreign Owned Enterprise	US\$55,104,000	–	100%	Manufacture and sale of cement
China Resources Cement (Pingnan) Limited	Sino-foreign Equity Joint Venture	RMB636,920,000	–	100%	Manufacture and sale of cement
China Resources Cement Investments Limited	Wholly Foreign Owned Enterprise	US\$13,506,043	100%	–	Investment holding and sale of cement
China Resources Concrete (Beihai) Limited	Wholly Foreign Owned Enterprise	HK\$5,000,000	–	100%	Manufacture and sale of concrete
China Resources Concrete (Nanning) Limited	Foreign Enterprise	HK\$20,000,000	–	100%	Manufacture and sale of concrete
China Resources Concrete (Nanning Xixiangtang) Limited	Foreign Enterprise	HK\$6,000,000	–	100%	Manufacture and sale of concrete
China Resources Dongguan Concrete Co., Ltd.	Foreign Enterprise	HK\$20,000,000	–	100%	Manufacture and sale of concrete
Dongguan Huarun Cement Manufactory Co., Ltd.	Wholly Foreign Owned Enterprise	HK\$149,000,000	–	100%	Manufacture and sale of cement
Dongguan Redland Precast Concrete Products Limited	Foreign Enterprise	HK\$12,800,000	–	100%	Manufacture and sale of precast products

APPENDIX I
FINANCIAL INFORMATION ON THE CRC GROUP

Name of subsidiary	Form of legal entity	Nominal value of registered capital	Proportion of nominal value of registered capital held by the Company		Principal activities
			Directly	Indirectly	
Companies established in the Chinese Mainland					
Foshan China Resources Shunan Concrete Limited	Foreign Enterprise	US\$2,427,949	-	100%	Manufacture and sale of concrete
Guangxi China Resources Hongshuihe Cement Co., Ltd.	Sino-foreign Equity Joint Venture	RMB200,000,000	-	100%	Manufacture and sale of cement
Guangxi China Resources Hongshuihe Pier Store Limited	Sino-foreign Equity Joint Venture	RMB2,000,000	-	100%	Property holding
Guangxi Hongshuihe Cement Joint Stock Company Limited	Limited Stock Company	RMB324,500,000	-	67.86%	Investment holding
China Resources Concrete (Shenzhen) Co., Ltd. (formerly Shenzhen China Resources Tiejian Concrete Co., Ltd.)	Sino-foreign Equity Joint Venture	RMB25,000,000	-	100%	Manufacture and sale of concrete
Shenzhen China Resources Shengcheng Concrete Limited	Foreign Enterprise	RMB20,000,000	-	100%	Inactive
Shenzhen China Resources Wenwei Concrete Limited	Foreign Enterprise	RMB20,000,000	-	100%	Manufacture and sale of concrete
Zhanjiang China Resources Hongshuihe Cement Co., Ltd.	Sino-foreign Equity Joint Venture	HK\$22,000,000	-	70%	Manufacture and sale of cement

Name of subsidiary	Place of incorporation	Nominal value of issued ordinary shares	Proportion of nominal value of issued shares held by the Company		Principal activities
			Directly	Indirectly	
Companies incorporated in other jurisdictions					
China Resources Cement Limited	British Virgin Islands	US\$2	100%	–	Investment holding
China Resources Cement Finance Limited	British Virgin Islands	US\$1	100%	–	Financing business in Hong Kong
China Resources Concrete Limited	British Virgin Islands	US\$1,000	100%	–	Investment holding
Redland Precast Concrete Products (Macau) Limited	Macau	MOP\$25,000	–	100%	Manufacture and sale of precast products

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the above lists contain only the subsidiaries which materially affect the results or assets of the Group.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation/establishment.

39. Associate

Details of the Group's associate at 31 December 2005 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
			Directly	Indirectly	
Man Wah Quarry Limited	Hong Kong	HK\$100,000	–	50%	Inactive

III. RECONCILIATION OF PROPERTY INTERESTS

Disclosure of the reconciliation of the property interests of the Group and the valuation of such property interests as required under Rule 5.07 of Listing Rules is set out below:

	<i>HKD</i>
Property valuation as at 31 March 2006 as set out in the valuation report in Appendix II to this document	566,355,000
Net book values of the following assets as at 31 December 2005 as set out in the audited financial statements in Appendix I to this document	
Land and buildings	490,193,000
Prepaid lease payments	110,615,000
Investment property	84,568,000
Silo	165,643,000
	851,019,000
<i>Add:</i> Additions of property during the period from 1 January 2006 to 31 March 2006	38,512,000
<i>Less:</i> Depreciation and amortization during the period from 1 January 2006 to 31 March 2006	(7,731,000)
Net book value of properties as at 31 March 2006 subject to valuation as set out in the valuation report in Appendix II to this document	881,800,000
Difference	(315,445,000) (<i>Note</i>)

Note: This amount includes \$228,150,000 which is attributed to assets (including properties numbered 19, 20, 24, 25 and 27 set out in the property valuation report in Appendix II to this document) for which CRC has not obtained title certificates as at 31 March 2006 and for which DTZ Debenham has not assigned values.

The breakdown of the amount of HK\$228,150,000 is as follows:

	Net book values at 31 March 2006	Net book values at 31 December 2005
	<i>HKD</i>	<i>HKD</i>
Land and buildings	181,953,000	183,588,000
Prepaid lease payments	4,536,000	4,541,000
Investment property	29,122,000	29,122,000
Silo	12,539,000	13,001,000
	228,150,000	230,252,000

CRC had not obtained title certificates in respect of the above property interests as it was in the process of applying for the certificates for some of the properties or certain properties were located on leasehold land for which title certificates would not be granted.

The balance of the difference in revaluation of HK\$87,295,000 arose as a result of the different bases of valuation relied upon by DTZ Debenham and the Group. The valuation of the Group's property assets as at 31 March 2006 as set out in the property valuation report in Appendix II to this document is based on open market values whereas the bases adopted in the Group's accounts are as follows: (i) fixed assets at cost less depreciation and accumulated impairment loss, if any, (ii) investment property using the fair value model and (iii) prepaid lease payments on a straight line basis over the periods of the respective prepaid lease payments. With regard to the Group's accounting policy on impairment of fixed assets, at each balance sheet date, the Group will consider both internal and external sources of information to assess whether there is any indication that the fixed assets are impaired. Having done the assessment at 31 December 2005, the Board is of the opinion that the difference in revaluation is not a relevant indicator for the assessment of impairment in value of such assets due to the reasons stated above and therefore on a going concern basis, no asset impairment is required.

IV. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of CRC was HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each, of which HK\$38,186,346 divided into 381,863,461 Shares had been issued and were fully paid up. No Shares had been issued since 31 December 2005, being the end of the last financial year of CRC, and up to the Latest Practicable Date. All of the Shares currently in issue rank *pari passu* in all respects with each other, including the rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, other than the Option and Convertible Bonds, there were no outstanding options, warrants, derivatives or convertible securities issued by CRC.

V. MATERIAL CHANGES SINCE 31 DECEMBER 2005

The Directors are not aware of any material change in the financial or trading position or outlook of the CRC Group subsequent to 31 December 2005, the date to which the latest published audited accounts of the CRC Group were made up.

The Directors have confirmed that there have been no material changes in the commitments and contingent liabilities of the CRC Group since 31 December 2005 and up to the Latest Practicable Date.

VI. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2006, being the latest practicable date for the indebtedness statement prior to the printing of this document, the CRC Group had total bank loans of approximately HK\$2,330.1 million, of which bank loans of approximately HK\$225.2 million were secured by the fixed assets and pledged bank deposits of CRC Group with carrying values of approximately HK\$344.3 million and HK\$10.4 million respectively as at 31 March 2006.

As at 31 March 2006, the CRC Group had outstanding Convertible Bonds in the principal amount of HK\$799.9 million which are convertible into 399,944,000 Shares on basis of the initial conversion price of HK\$2.00 per Share.

As at 31 March 2006, the CRC 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\$0.02 million.

Save as aforesaid and apart from intra-group liabilities, the CRC group did not have outstanding at the close of business on 31 March 2006 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, mortgage, 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 March 2006.

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



10/F, Jardine House
1 Connaught Place
Hong Kong

22 May 2006

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 all the property interests held by China Resources Cement Holdings Limited (“the Company”) 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 March 2006 (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 atypical 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.

The tax liabilities for disposal of property interests comprise profits tax and stamp duty for property interests in Hong Kong; and sale tax, stamp duty, land appreciation tax and enterprise income tax (if any) for property interests in the PRC. The Group advises that for property interests in the Summary of Valuation, potential tax liabilities attributable to the Group estimated to be approximately HK\$34 million would arise if such properties are to be sold at the amount of the valuations. However, there is less likelihood of such liability crystallising as the Group has no plan yet for the disposal of such property interests. The above amounts are for indicative purposes and are calculated based on prevailing rules and information available.

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. 14, 15, 16 and 26 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 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 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. 19, 20, 24, 25, 27, therefore we have not assigned any value to these properties.

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

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties published by the Hong Kong Institute of Surveyors.

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 caused searches to be made at the appropriate Land Registries in Hong Kong. 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 and its 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 the Group's PRC legal advisor 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. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period.

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong dollars. The exchange rate adopted in our valuations is HK\$1 = RMB1.038 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 the 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 March 2006 <i>HK\$</i>	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 31 March 2006 <i>HK\$</i>
Group I – Property interests held and occupied by the Group in Hong Kong			
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	14,300,000	100.0	14,300,000
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	12,000,000	100.0	12,000,000
3. No. 6 Tung Yuen Street, Yau Tong, Kowloon	68,000,000	100.0	68,000,000
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:	<u>108,100,000</u>		<u>108,100,000</u>

SUMMARY OF VALUATIONS

Property	Capital value in existing state attributable to the Group as at 31 March 2006 <i>HK\$</i>
Group II – Property interests rented by the Group in Hong Kong	
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
12. Unit 4106-07, 41st Floor, China Resources Building, No.26 Harbour Road, Hong Kong	No commercial value
Sub-total:	<hr/> No commercial value <hr/>

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 March 2006 HK\$	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 31 March 2006 HK\$
Group III – Property interests held and occupied by the Group in the PRC			
13. Unit 401, Block 22, Bibo Garden, Yanhe Road, Luohu District, Shenzhen City, Guangdong Province	585,000	100.0	585,000
14. A cement plant at Eastern Plot of Litang Town, Binyang County, Guangxi ZAR	146,200,000	90.4	132,164,800
15. A cement plant at Fulusha Management District, Shatian Town, Dongguan City, Guangdong Province	150,000,000	100.0	150,000,000
16. Three plots of land at Legou Zuoye District, Qinzhou Harbour, Qinzhou City, Guangxi ZAR	39,300,000	89.2	35,055,600
17. A plot of land at Makeng, Shenwan Town, Zhongshan City, Guangdong Province	400,000	90.4	361,600
18. An industrial site at Feng Huang Shan, Qintang Village, Eastern Plot of Litang Town, Binyang County, Guangxi ZAR	17,800,000	90.4	16,091,200
19. 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	Interest	Capital value in
	existing state as at 31 March 2006 HK\$	attributable to the Group %	existing state attributable to the Group as at 31 March 2006 HK\$
20. 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
21. A proposed industrial development at Daling Village, Qintang District, Guigang City, Guangxi ZAR	42,000,000	100.0	42,000,000
22. A cement plant at Danzhu Town, Pingnan County, Guangxi ZAR	39,640,000	100.0	39,640,000
23. 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	1,100,000	67.9	746,900
24. Unit 206, Block 13, Changmao Garden, No. 39 Nanhang Road, Haikou City, Hainan Province	No commercial value	67.9	No commercial value
25. Unit 502, Type A Residential Building, Mianqianpo Village, Longkun South Road, Haikou City, Hainan Province	No commercial value	67.9	No commercial value
26. A cement plant at Suixi County Zhanjiang City Guangdong Province	21,230,000	63.3	13,438,590
27. A plot of land at Jiangbin Road Pingnan County Guangxi ZAR	No commercial value	100.0	No commercial value
	Sub-total:		430,083,690
	458,255,000		430,083,690

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 March 2006 HK\$
Group IV – Property interests rented by the Group in the PRC	
28. A plot of land at San Shan Harbour Development District, Nanhai City, Guangdong Province	No commercial value
29. Unit 501 of a composite building, Legou Zuoye District, Qinzhou Harbour, Qinzhou City, Guangxi ZAR	No commercial value
30. A batching plant at Xiaohe Industrial Park, Xiaohe Village, Daojiao Town, Dongguan City, Guangdong Province	No commercial value
31. Four plots of land at Dawandu, Xiagun Tun, Huhe Village, Daling Village, Qintang District, Guigang City, Guangxi ZAR	No commercial value
32. A plot of land beside Chaolianzhishan Water Gate, Jiangmen City, Guangdong Province	No commercial value
33. 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
34. 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

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 March 2006 HK\$
35. A plot of land at the north side of Nanwu Road, Xiangqiao Village, Santang Town, Xinning District, Nanning City, Guangxi ZAR	No commercial value
36. A plot of land at Biankeng section, Langkou Village, Longhua Town, Baoan District, Shenzhen City, Guangdong Province	No commercial value
37. 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
38. A plot of land at Tan Village Industrial Zone 1st Road, Chencun Town, Shunde District, Foshan City, Guangdong Province	No commercial value
39. A plot of land at Nanbiansha section of Tanzhou Canal, Tanzhou Village, Chencun Town, Shunde District, Foshan City, Guangdong Province	No commercial value

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 March 2006 HK\$
40. Two plots of land at Nizhou Village, Shatian Town, Dongguan City, Guangdong Province	No commercial value
41. Jinsha Lake Inn and Minzu Villa, No.268 Shibu Town, Nanning City, Guangxi Province	No commercial value
42. A plot of land situated in Shibu Town, Xixiangtang District, Nanning City, Guangxi Province	No commercial value
43. Unit Nos. 401-406 and a store room, Wangang Hotel, Jingang Avenue, Guigang, Guangxi Province	No commercial value
44. Unit Nos. 1701, 1702 and 1706, Level 17, Huarun Building, No. 5001, Shennan East Road, Shenzhen, Guangdong Province	No commercial value
45. A plot of land situated in Chaoyangjiti, Longjinxiang, Nanzhuang Town, Shancheng Distirct, Foshan, Guangdong Province	No commercial value
46. Land Lot No. B31 at the north side of Xiashanchong Wharf, Fuyong Town, Baoan District, Shenzhen City, Guangdong Province	No commercial value
47. A plot of land situated in Zhonggangshachang, Zhongshangang Bridge, Zhangjiabianwu Village, Huoju Development Area, Zhongshan City, Guangdong Province	No commercial value

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31 March 2006 HK\$
48. A plot of land situated on the north coast of Xiaohe, west side of Xinshuizha, Fulusha, Dongguan, Guangdong Province	No commercial value
49. A plot of land situated on the First Road, Tancun Industrial District, Chencun Town, Shunde District, Foshan, Guangdong Province	No commercial value
50. A plot of land situated in Xinminjianzaiweihetan, Changan Town, Dongguan, Guangdong Province	No commercial value
51. 42 rooms on level 4, Dawozu, Xiaohe Administration District, Daojiao Town, Dongguan, Guangdong Province	No commercial value
52. 1 Unit on level 7, Main Building, Postal Command Center, Xinshiji Plaza, Zhongshan Road, Guigang, Guangxi Province	No commercial value
Sub-total:	<hr/> No commercial value <hr/>

APPENDIX II

PROPERTY VALUATION

Property	Capital value in existing state as at 31 March 2006 HK\$	Capital value in existing state attributable to the Group as at 31 March 2006 HK\$
Group V – Property interest rented by the Group in Macau		
53. Unit J, Level 6, Macau Financial Centre, No. 202 A Beijing Street, Macau	_____	No commercial value _____
Grand Total:	<u>566,355,000</u>	<u>538,183,690</u>

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 March 2006
<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\$14,300,000 (100.0% interest attributable to the Group: HK\$14,300,000)</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 March 2006
	<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/H20/17 dated 18 November 2005.

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 March 2006
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\$12,000,000 (100.0% interest attributable to the Group: HK\$12,000,000)</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 March 2006
3. No. 6 Tung Yuen Street, Yau Tong, Kowloon Yau Tong Marine Lot No. 68	<p>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.</p> <p>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.</p>	The property is occupied by the Group for the purpose of concrete production.	HK\$68,000,000 (100.0% interest attributable to the Group; HK\$68,000,000)

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 March 2006
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 15 March 2006 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/10 dated 7 February 2006.

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 March 2006
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/10 dated 7 February 2006.

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

Property	Description and tenancy particulars	Capital value in existing state as at 31 March 2006
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 15 March 2006 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/10 dated 7 February 2006.

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

Property	Description and tenancy particulars	Capital value in existing state as at 31 March 2006
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 from 1 September 2005 to 31 August 2007 at a monthly rent of HK\$12,000 per month inclusive of government rent but exclusive of rates and license fee.</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/10 dated 24 February 2006.

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 12 months from 1 January 2006 to 31 December 2006 at a rent of HK\$98,000 per month inclusive of outgoings relating to the use of the berthing space.</p>	No commercial value
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Note: The property is currently zoned for “Other Specified Uses (Cargo Handling Area)” purpose under Tuen Mun Outline Zoning Plan No. S/TM/21 dated 2 December 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 March 2006
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/19 dated 18 November 2005.</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 2006 to 29 February 2008 at a rent of HK\$57,960 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/K1/21 dated 9 December 2005.</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 March 2006
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 1 year from 1 April 2006 to 31 March 2007 at a rent of HK\$62,100 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/K1/21 dated 9 December 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 March 2006
12. Unit 4106-07, 41st Floor, China Resources Building, No.26 Harbour Road, Hong Kong	<p>The property comprises 2 units on the 41st floor of a 50-storey plus basement commercial building completed in 1983.</p> <p>The gross floor area of the property is approximately 460.05 sq.m. (4,952 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 30 months from 1 July 2005 to 31 December 2007 at a monthly rent of HK\$78,241.60, exclusive of rates, management fees and air-conditioning charges.</p>	No commercial value

Note: The property is currently zoned for “Commercial” purpose under Wan Chai North Outline Zoning Plan No. S/H25/1 dated 19 April 2002.

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 March 2006
13. 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.	<p>HK\$585,000 (100.0% interest attributable to the Group: HK\$585,000)</p>

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) 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
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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 March 2006
14. A cement plant at Eastern Plot of Litang Town, Binyang County, Guangxi ZAR	<p>The property comprises 142 buildings and structures erected upon 7 plots of irregularly shaped site having a total site area of approximately 1,629,460.63 sq.m. (17,539,514 sq.ft.).</p> <p>The buildings and structure were completed in different phases from 1984 to 2005.</p> <p>Portion of the property with approximate gross floor area of 87,792.35 sq.m. (944,997 sq.ft.) have been issued with the title certificates, excluding the area of those ancillary structures.</p> <p>As advised, various buildings or structures with total gross floor area of 16,444.58 sq.m. have been constructed without any title certificates. (Please see note (3) below)</p> <p>The land use right of the property has been granted for various terms mainly for production plant, quarry, highway and industrial uses.</p>	<p>The property is currently occupied by the Group as production plant, quarry, highway and other ancillary uses.</p>	<p>HK\$146,200,000 (90.4% interest attributable to the Group: HK\$132,164,800)</p>

Notes:

- (1) According to 7 Certificates for the Use of State-owned Land issued by Binyang County Land Administration Bureau (賓陽縣土地管理局) the land use rights of the property comprising a total site area of 1,629,460.63 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 various terms and the details are summarised as follows:

No.	Certificate no.	Location	Use of land	Date of Expiry	Site area (sq.m.)
1.	(2002) 08	No. 268 Yong An Dong Road, Litang Town, Binyang County	Production plant	23 January 2052	481,769.33
2.	(2002) 09	No. 268 Yong An Dong Road, Litang Town, Binyang County	Lime stone quarry	23 January 2052	813,180.00
3.	(2002) 10	Eastern Plot of Litang Town, Binyang County	Sand stone quarry	23 January 2052	154,346.67
4.	(2002) 11	Eastern Plot of Litang Town, Binyang County	Highway for sand stone quarry	23 January 2052	59,849.40
5.	(2002) 12	Eastern Plot of Litang Town, Binyang County	Sand stone crushing	23 January 2052	20,986.67
6.	(2002) 13	Lincunshandi, Chao Chang Village, Litang Town, Binyang County	Highway for quarry	23 January 2052	34,637.66
7.	(2005) 263	East District, Litang Town	Industrial	22 March 2055	64,690.90
Total:					1,629,460.63

- (2) According to 7 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), the land use rights of the property comprising a total site area of 1,629,460.63 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 for Land Lot Nos. 1 to 6), a 67.9% owned subsidiary of the Company and Guangxi China Resources Hongshuihe Cement Co., Ltd. (廣西華潤紅水河水泥有限公司) (Party C for Land Lot No. 7), a 90.4% owned subsidiary of the Company respectively and the details are summarized as follows:

Grant					Land
No. contract no.	Use of land	Date of Expiry	Site area (sq.m.)	Grantee	premium (RMB)
1. (2002) 35	Transportation/Highway	23 January 2052	34,637.66	Party B	17,318.83
2. (2002) 36	Transportation/Road	23 January 2052	59,849.40	Party B	29,923.34
3. (2002) 37	Transportation/Road	23 January 2052	481,769.33	Party B	240,884.67
4. (2002) 38	Plant Room Construction	23 January 2052	20,986.67	Party B	10,493.34
5. (2002) 39	Production Plant	23 January 2052	154,346.67	Party B	77,173.34
6. (2002) 40	Raw Material/Quarry	23 January 2052	813,180.00	Party B	406,590.00
7. (2005) 124	Industrial	22 March 2055	64,690.90	Party C	2,102,000
Total:			<u>1,629,460.63</u>		

Notes:

- Upon full settlement of the land premium, Party B is entitled to transfer the land use rights Land Lot Nos. 1 to 6 of the property to Party C.
 - According to 6 official receipts issued by Party A on 23 January 2002, Party B has settled the land premium of Land Lot Nos. 1 to 6 in full. Therefore, Party B is entitled to transfer the land use rights of the property to Party C.
- (3) 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 that 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..
 - As advised, various buildings or structures with total gross floor area of 16,444.58 sq.m. have been constructed without any title certificates. We have not assigned value to these buildings or structures.
- (4) According to Planning Permit for Construction Use of Land No. 2004-609 issued by Binyang County Planning and Construction Bureau (賓陽縣規劃建設局) on 29 October 2004, the development of a factory, comprising a site area of 97.0364 mu, has been approved.

- (5) According to planning Permit for Construction Works No. 2005-052 issued by Binyang County Planning and Construction Bureau (賓陽縣規劃建設局) on 23 May 2005, the development located on Yong An Zhong Road, Litang Town has been approved.
- (6) 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.

- (7) 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 with site area at 1,629,460.63 sq.m. and building ownership with gross floor area of 97,905.77 sq.m. of the property and the land premium has been fully settled; 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 property with site area of 1,629,460.63 sq.m. and gross floor area of 97,905.77 sq.m..
- (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 (partly)
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	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 March 2006
15. 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>An approximate gross floor area of 38,343.10 sq.m. (412,725 sq.ft.) within the property have been issued with the title certificates, excluding the area of those ancillary structures.</p> <p>As advised, various buildings or structures with total gross floor area of 10,544 sq.m. have been constructed without any title certificates. (Please see note (2) below)</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.	HK\$150,000,000 (100.0% interest attributable to the Group: HK\$150,000,000)

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 building 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 100% owned subsidiary of the Company for a term of 50 years with details as follows:

Certificate no.	No. of storey	Use	Gross floor area (<i>sq.m.</i>)
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 with 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.

As advised, various buildings or structures with total gross floor area of 10,544 sq.m. have been constructed without any title certificates. We have not assigned value to these buildings or 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 of the property with total site area of 173,466 sq.m.;
 - (ii) Dongguan Huarun Cement Manufactory Co., Ltd. (東莞華潤水泥廠有限公司) has legally obtained the building ownership of portion of the property, comprising a gross floor area of 38,343.1 sq.m.;
 - (iii) 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
 - (iv) 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) 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 (partly)
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 March 2006
16. Three plots of land at Legou Zuoye District, Qinzhou Harbour, Qinzhou City, Guangxi ZAR	<p>The property comprises 3 plots of contiguous land. The total site area is 154,100.37 sq.m. (1,658,736 sq.ft.). The property is a 50,000 tonnes vessel pier pending for installation of operating equipment.</p> <p>The land use rights of portion of the property with a site area of 100,766.96 sq.m. has been granted for a term due to expire on 18 December 2048 for storage use. (Please see note (1) below)</p>	The property is a leveled 50,000 tonnes vessel pier pending for installation of operating equipment	<p>HK\$39,300,000 (for 2 plots of land with site area of 100,766.96 sq.m. only) (89.2% interest attributable to the Group: HK\$35,055,600)</p>

Notes:

(1) According to 2 Certificates 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

According to the Group, another parcel of land with a site area of 53,333.41 sq.m. has been granted with a Certificate for the Use of Sea Rights pending for the issuance of the Certificate for the Use of State-owned Land. In our course of valuation, we have not assigned value to this portion of the property comprising a site area of 53,333.41 sq.m..

As per the specific instruction of the Group, we have valued the 3 plots of land with a total site area of 154,100.37 sq.m. at capital value of RMB88,000,000 as at 31 December 2005 for internal reference purpose only, assuming that the Group have good title to transfer, lease or mortgage the 3 land lots to 3rd party.

If all the relevant title certificates of the property with total site area of 154,100.37 sq.m. were obtained, the capital value in existing state as at 31 March 2006 would be RMB88,000,000.

- (2) According to an approval document (2002) 10 dated 4 September 2002, the project has been approved for a construction scale of 50,000 tonnes vessel 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 89.2% 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 portion of the property with site area of 100,766.96 sq.m. for a term to be expired on 18 December 2048; and
 - (ii) Guangxi China Resources Hongshuihe Pier Store Limited (廣西華潤紅水河碼頭倉儲有限公司) is entitled to freely transfer, lease or mortgage the land use rights of the property with site area of 100,766.96 sq.m..
- (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:

Certificate for the Use of State-owned Land	Yes (partly for 2 land plots)
Red-line Drawing (site plan)	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 March 2006
17. A plot of land at Makeng, Shenwan Town, Zhongshan City, Guangdong Province	<p>The property comprises a plot of irregularly 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\$361,600)</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) 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 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	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 March 2006
18. 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\$16,091,200)

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) 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 March 2006
19. 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 March 2006
20. 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 March 2006
21. A proposed industrial development at Daling Village, Qintang District, Guigang City, Guangxi ZAR	<p>The property comprises a plot of land having a site area of approximately 366,601.73 sq.m. (3,946,101 sq.ft.) with title certificate (Please see note (1) below). As advised, the property also comprises another piece of land with a site area of 17.5557 hectares (which is equivalent to 175,557 sq.m.) without any title certificate. (Please see note (5) below).</p> <p>The property is planned to be developed into a 5,000 tonnes cement production plant with a gross floor area of 93,936.36 sq.m. (1,011,131 sq.ft).</p> <p>The land use right of the property with title certificate has been granted for a term of 50 years to be expired on 15 September 2055 for industrial use.</p>	The property is currently under construction.	HK\$42,000,000 (100.0% interests attributable to the Group: HK\$42,000,000)

Notes:

- (1) According to Certificate for the Use of State-owned Land No. (2005) 1270, the land use rights of the property, comprising a site area of 366,601.73 sq.m. have been granted to China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司), a 100% owned subsidiary of the Company for a term due to expire on 15 September 2055 for industrial use.
- (2) According to Grant Contract for the Use of State-owned Land No. (2005) 192, the land use right of the property, comprising a total site area of 366,601.73 sq.m., has been vested in China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) for a term of 50 years commencing from 15 September 2005 for industrial use for a consideration of RMB40,296,862.
- (3) As advised, the property is planned to develop into an industrial plant with a gross floor area of 93,936.36 sq.m. (1,011,131 sq.ft.). The Building Ownership Certificates of the relevant buildings of the property have not been obtained. In our course of valuation, we have only assigned the value to the land of the property.

- (4) 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.
- (5) According to Approval Document No. (2005) 72 issued by Peoples' Government of Guangxi ZAR (廣西壯族自治區人民政府) on 1 September 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 17.5557 hectares for construction use. The relevant Certificate for the Use of State-owned Land has not been issued. We have not assigned value to such land portion of the property.
- (6) 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.
- (7) 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 USD55,140,000 and has a valid operation period from 12 January 2004 to 31 December 2006.
- (8) According to the PRC legal opinion:
- (i) China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) has obtained the land use rights of the property with a site area of 366,601.73 sq.m.;
- (ii) China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) can freely transfer, lease or mortgage the land use rights of the property with a site area of 366,601.73 sq.m.; and
- (iii) China Resources Cement (Guigang) Limited (華潤水泥(貴港)有限公司) has not obtained the land use rights of the other portion of the property with a site area of 17.5557 hectares.
- (9) 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 (for the land with a site area of 366,601.73 sq.m.)
Grant Contract for the Use of State-owned Land	Yes (for the land with a site area of 366,601.73 sq.m.)
Approval Document	Yes
Planning Permit for Construction Use of Land	Yes (for the land with a site area of 366,601.73 sq.m.)
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 March 2006
22. A cement plant at Danzhu Town, Pingnan County, Guangxi ZAR	<p>The property comprises five plots of land with total site area of 4,240,124.09 sq.m. (45,640,695.7 sq.ft.). Among them, 3 plots of land with a total site area of approximately 4,117,095.09 sq.m. (44,316,412 sq.ft.) has obtained valid title certificates. (Please see note (2) below). As advised, the property also comprises another two plots of land without title certificates having a total site area of approximately 123,029 sq.m. (1,324,284 sq.ft.). (Please see note (1) below)</p> <p>As advised, the property is planned to be developed into a 4,000 tonnes cement plant and pier. The property comprises 2 phases of development. Phase 1 is completed in 2004 and it comprises various cement factories and ancillary residential buildings. Phase 2 is currently under construction and it comprises cement factories, offices and ancillary residential buildings. The building ownership certificates of the 2 phases of development have not been obtained. (Please see note (5) below)</p> <p>The land use rights of the property with a total site area of 4,117,095.09 sq.m. have been granted for three terms of 50 years with the lastest expiring on 30 October 2054 for industrial and mining uses.</p>	Phase 1 of the cement production line was completed in 2004 and put into operation. Phase 2 is currently under construction.	<p>HK\$39,640,000 (100.0% interests attributable to the Group: HK\$39,640,000)</p>

Notes:

- (1) We have not been provided with the title documents regarding two plots of land with a site area of 123,029 sq.m.. Based on the PRC legal opinion, Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) (which has been renamed as China Resources Cement (Pingnan) Limited) (華潤水泥(平南)有限公司), a 100% owned subsidiary of the Company, has yet to obtain the land use rights of this portion of the property. In our course of valuation, we have assigned no commercial value to such portion of the property.

- (2) 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) (which has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% 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>

- (3) According to Approval Document No. (2005) 40 issued by Peoples' Government of Guangxi ZAR (廣西壯族自治區人民政府) on 20 June 2005, Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) (which has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% owned subsidiary of the Company) has been permitted to develop on a plot of land with a site area of approximately 9.547 hectares (95,479 sq.m.) for construction use.
- (4) According to a Land Transfer Agreement entered into between China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司) (Party A) and Guangxi Pingnan County Industrial Investment Company Limited (廣西平南縣工業投資有限公司) (Party B) on 20 October 2005, Party B has agreed to transfer a plot of land, comprising a site area of 41.324 mu (27,550 sq.m.), to Party A for a consideration of RMB1,446,375.
- (5) As advised, the property comprises 2 phase of development, Phase 1 is completed in 2004 and it comprises various cement factories and ancillary residential buildings. Phase 2 is currently under construction and it comprises cement factories, offices and ancillary residential buildings. The building ownership certificates of the 2 phases of development have not been obtained. We have not assigned value to the building portion of the property.
- (6) According to Planning Permit for Construction Work No. 2003015 dated 28 September 2003, the property is permitted to be developed into a 4,000 tonnes plant and pier.
- (7) As per the legal opinion, Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司), has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% owned subsidiary of the Company.
- (8) According to Business License No. 003524, China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司) was established as a Sino-foreign equity joint venture company with a registered capital of RMB636,920,000 and has a valid operation period from 4 November 2003 to 2 August 2006.

- (9) According to the PRC legal opinion:
- (i) China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司) has legally obtained the land use rights of the property with site area of 4,117,095.09 sq.m.;
 - (ii) China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司) is entitled to freely transfer, lease or mortgage the land use rights of the property with site area of 4,117,095.09 sq.m.; and
 - (iii) Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% owned subsidiary of the Company.
- (10) 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 (for 3 plots of the land with site area of 4,117,095.09 sq.m. only)
Approval Document	Yes (partly)
Land Transfer Agreement	Yes (partly)
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 March 2006
23. 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\$1,100,000 (67.9% interests attributable to the Group: HK\$746,900)</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:			502.09

- (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) 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 March 2006
24. 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 March 2006
25. 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 March 2006
26. A cement plant at Suixi County, Zhanjiang City, Guangdong Province	<p>The property comprises a cement plant erected on 4 plots of land with a total site area of 94,266.66 sq.m. (1,014,686 sq.ft.) completed between 1980 and 1995.</p> <p>The property has a gross floor area of 29,124.5 sq.m. (313,496 sq.ft.) with title certificates. As advised, there are some buildings erected on the site with a gross floor area of 15,105.86 sq.m. (162,599 sq. ft) without any title certificates. (Please see note (2) below)</p> <p>The land use right of the property has been granted for a term due to expire on 6 September 2055 for industrial use.</p>	The property is currently occupied by the Group as production plant.	HK\$21,230,000 (63.3% interests attributable to the Group: HK\$13,438,590)

Notes:

- (1) According to 5 Certificates for the Use of State-owned Land, the land use rights of the property, comprising a total site area of 94,266.66 sq.m. (1,014,686 sq.ft.), have been granted to 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 for a term due to expire on 6 September 2055 for industrial use. The details are as follows:-

Certificate No.	Lot No.	Site Area (sq.m.)
(2005) 926	0105766	1,537.27
(2005) 929	0105769	3,848.73
(2005) 927	0105767	1,116.81
(2005) 928	0105768	5,006.10
(2005) 930	0105770	82,757.75
Total:		<u>94,266.66</u>

- (2) According to 31 Real Estate Ownership Certificates, the building ownership of the property, comprising a total gross floor area of 29,124.50 sq.m.) has been vested in Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (湛江華潤紅水河水泥有限公司) for industrial use. The details are as follows:–

Lot No.	Storey	Location	Gross Floor Area (sq.m.)
0105770	2	East of Suixi Railway Station (Garage)	851.19
0105770	7	East of Suixi Railway Station (New Lime Warehouse)	2,331.30
0105770	5	East of Suixi Railway Station (New Packaging Building)	682.46
0105770	4	East of Suixi Railway Station (New Cement Grind Workshop)	720.00
0105770	6	East of Suixi Railway Station (Kiln)	870.00
0105770	1	East of Suixi Railway Station (Maintenance Workshop)	747.40
0105770	4	East of Suixi Railway Station (New Material Grind Workshop)	735.00
0105770	4	East of Suixi Railway Station (Raw Materials Warehouse)	493.42
0105770	4	East of Suixi Railway Station (New Material Production Line)	858.48
0105770	2	East of Suixi Railway Station (Old Cement Warehouse)	483.66
0105770	1	East of Suixi Railway Station (Cement Warehouse)	2,979.20
0105770	8	East of Suixi Railway Station (New Kiln)	2,652.25

APPENDIX II**PROPERTY VALUATION**

Lot No.	Storey	Location	Gross Floor Area (sq.m.)
0105770	4	East of Suixi Railway Station (Drying Workshop)	537.66
0105770	4	East of Suixi Railway Station (New Material Warehouse)	1,063.00
0105770	7	East of Suixi Railway Station (Product Enhancement Building)	147.49
0105770	2	East of Suixi Railway Station (Old Packaging Building)	340.23
0105770	3	East of Suixi Railway Station (Office)	859.10
0105770	2	East of Suixi Railway Station (Old Electricity Room)	330.00
0105770	3	East of Suixi Railway Station (Old Material Grind Room)	720.27
0105770	3	East of Suixi Railway Station (New Drying Workshop)	942.69
0105770	4	East of Suixi Railway Station (New Cement Warehouse)	1,074.02
0105770	1	East of Suixi Railway Station (Material Shack)	418.14
0105770	4	East of Suixi Railway Station (Old Material Grind Room)	430.20
0105770	1	East of Suixi Railway Station (New Electricity Room)	333.75
0105770	6	East of Suixi Railway Station (Kiln)	750.00
0105770	1	East of Suixi Railway Station (New Products Warehouse)	2,253.00
0105770	1	East of Suixi Railway Station (Joint Workshop)	2,678.28
0105770	3	East of Suixi Railway Station (New Smashing Machine Room)	383.66

Lot No.	Storey	Location	Gross Floor Area (sq.m.)
0105767	2	East of Suixi Railway Station (Medicine Room)	98.98
0105767	2	East of Suixi Railway Station (Kindergarten)	285.25
0105768	2	East of Suixi Railway Station (Canteen)	1,074.42
Total:			29,124.50

Note: As advised, there are some buildings erected on the site with a gross floor area of 15,105.86 sq.m. without any title certificate. We have not assigned value to such portion of the property.

(3) 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.

(4) 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.

(5) 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 obtained the land use rights of the property with a total site area of 94,266.66 sq.m. and is entitled to transfer, lease and mortgage the land;

(ii) The actual usage and the planned usage of the land is the same;

(iii) Zhanjiang China Resources Hongshuihe Cement Co., Ltd. (湛江華潤紅水河水泥有限公司) has obtained the building ownership of the property with a total gross floor area of 29,124.5 sq.m. and is entitled to transfer, lease and mortgage such buildings; and

(iv) The actual usage and the planned usage of the buildings is the same.

(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 Stated-owned Land	Yes
Real Estate Title Certificate	Yes
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 March 2006
27. 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) Based on the PRC legal opinion, Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) (which has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% 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 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) (which has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% owned subsidiary of the Company), for development on a plot of land with site area of 16,900 sq.m. for staff quarter use.
- (3) As per the legal opinion, Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% owned subsidiary of the Company.
- (4) According to Business License No. 003524, China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司) was established as a Sino-foreign equity joint venture company with a registered capital of RMB636,920,000 and has a valid operation period from 4 November 2003 to 2 August 2006.
- (5) According to the PRC legal opinion:
 - (i) China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司) has yet to obtain the land use rights of the property;

- (ii) China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司) cannot freely transfer, lease or mortgage the land use rights of the property; and
 - (iii) Guangxi Pingnan China Resources Yufeng Cement Company Limited (廣西平南華潤魚峰水泥有限公司) has been renamed as China Resources Cement (Pingnan) Limited (華潤水泥(平南)有限公司), a 100% owned subsidiary of the Company.
- (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:

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 March 2006
28. 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 2,900 sq.m. (31,216 sq.ft.) which is 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 current monthly rental of RMB8,700 subject to upward adjustment at 20% for every 3 years.</p>	No commercial value
29. 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 2006 to 28 February 2007 at a monthly rental of RMB730, exclusive of utilities charges, maintenance fee and other outgoings.</p>	No commercial value
30. A batching plant at Xiaohe Industrial Park, Xiaohe Village, Daojiao Town, Dongguan City, Guangdong Province	<p>The property comprises various buildings completed in 2003 on a plot of land.</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 14,270 sq.m. (153,602 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 due to expire on 30 May 2012 at a monthly rental of RMB21,405 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 March 2006
31. 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.) which are 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
32. A plot of land beside Chaolianzhishan Water Gate, Jiangmen City, Guangdong Province	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. which are used as a cement interchange station. 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.	No commercial value
33. 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	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. The 2 ancillary buildings have a total gross floor area of 310 sq.m. (3,337 sq.ft.) for staff quarters and transformer room uses. 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.	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 March 2006	
34. A portion of vacant land at the original site of Lianfa Cement Factory, Northeast Levee, Yuanjiachong, Zhongtang Town, Dongguan City, Guangdong Province	The property comprises a plot of land with a site area of 5,575.40 sq.m. (60,014 sq.ft.) for pier use.	No commercial value	
	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:		
	Period		Monthly rental
	2004/9/1-2007/6/30		RMB11,000
	2007/7/1-2010/6/30		RMB13,200
35. 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:		
	Period		Annual rental
	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 March 2006
36. 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 completion 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
37. 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
38. A plot of land at Tan Village Industrial Zone 1st Road, Chencun Town, Shunde District, Foshan City, Guangdong Province	<p>The property comprises a plot of land with a site area of approximately 12.57 mu (8,380 sq.m.) for industry use.</p> <p>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 at a rate of 10% for every 5 years.</p>	No commercial value
39. A plot of land at Nanbiansha section of Tanzhou Canal, Tanzhou Village, Chencun Town, Shunde District, Foshan City, Guangdong Province	<p>The property comprises a plot of land with a site area of approximately 7.80 mu (5,200 sq.m.) which is used as a materials interchange station.</p> <p>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.</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 March 2006																
40. Two plots of land at Nizhou village, Fulusha Management District, Shatian Town, Dongguan City, Guangdong Province	<p>The property comprises 2 plots of land with a total site area of approximately 229,551 sq.m. (2,470,887 sq.ft.) which are used as an interchange station.</p> <p>The property is currently rented under a verbal agreement by the Group for a term of 1 year commencing on 3 June 2005 at an annual rental of RMB8,500,000.</p>	No commercial value																
41. Jinsha Lake Inn and Minzu Villa, No.268 Shibu Town, Nanning City, Guangxi ZAR	<p>The property comprises 2 buildings.</p> <p>The property has a total gross floor area of 190 sq.m. (2,045 sq.ft.) and is occupied by the Group for office and quarters uses.</p> <p>The property is currently rented by the Group for a term from 28 March 2005 to 27 September 2006 at a bi-annual rental of RMB84,000.</p>	No commercial value																
42. A plot of land situated in Shibu Town, Xixiangtang District, Nanning City, Guangxi ZAR	<p>The property comprises a plot of land with a total site area of approximately 14.88 mu (equivalent to 9,920.05 sq.m. (106,779 sq.ft.)) which is currently used as workshop.</p> <p>The property is currently rented by the Group for a term of 20 years from 1 July 2005 to 30 June 2025 at the following rentals:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Period</th> <th style="text-align: right;">Annual Rental <i>RMB/mu</i></th> </tr> </thead> <tbody> <tr> <td>2005-2007</td> <td style="text-align: right;">2,500</td> </tr> <tr> <td>2008-2010</td> <td style="text-align: right;">2,750</td> </tr> <tr> <td>2011-2013</td> <td style="text-align: right;">3,025</td> </tr> <tr> <td>2014-2016</td> <td style="text-align: right;">3,327.5</td> </tr> <tr> <td>2017-2019</td> <td style="text-align: right;">3,660</td> </tr> <tr> <td>2020-2022</td> <td style="text-align: right;">4,026</td> </tr> <tr> <td>2023-2025</td> <td style="text-align: right;">4,429</td> </tr> </tbody> </table>	Period	Annual Rental <i>RMB/mu</i>	2005-2007	2,500	2008-2010	2,750	2011-2013	3,025	2014-2016	3,327.5	2017-2019	3,660	2020-2022	4,026	2023-2025	4,429	No commercial value
Period	Annual Rental <i>RMB/mu</i>																	
2005-2007	2,500																	
2008-2010	2,750																	
2011-2013	3,025																	
2014-2016	3,327.5																	
2017-2019	3,660																	
2020-2022	4,026																	
2023-2025	4,429																	

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

Property	Description and tenancy particulars	Capital value in existing state as at 31 March 2006
43. Unit Nos. 401-406 and a store room, Wangang Hotel, Jingang Avenue, Guigang, Guangxi ZAR	<p>The property comprises 6 units and a store room on level 4 of a 6-storey building.</p> <p>The property is currently occupied by the Group as quarters.</p> <p>The property is currently rented by the Group for a term due to expire on 3 May 2006 at a monthly rental of RMB3,000.</p>	No commercial value
44. Unit Nos. 1701, 1702 and 1706, Level 17, Huarun Building, No. 5001, Shennan East Road, Shenzhen, Guangdong Province	<p>The property comprises 3 units and a store room on level 17 of a 29-storey building completed in 2004.</p> <p>The property has a total gross floor area of 872 sq.m. (9,386 sq.ft.) and is currently occupied by the Group for office use.</p> <p>The property is currently rented by the Group for a term from 1 July 2005 to 31 December 2007 at a monthly rental of RMB104,640, exclusive of utilities charges, management fee and other outgoings.</p>	No commercial value
45. A plot of land situated in Chaoyangjiti, Longjinxiang, Nanzhuang Town, Shancheng District, Foshan, Guangdong Province	<p>The property comprises a plot of land with a total site area of approximately 7,000 sq.m. (75,348 sq.ft.) which is currently used as a cement interchange station.</p> <p>The property is currently rented by the Group for a term of 15 years from 1 February 2005 to 31 January 2020 at a monthly rental of RMB17,500 subject to upward adjustment starting from the fourth year at a rate of 8% for every year.</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 March 2006	
46. 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 6,099 sq.m. (65,650 sq.ft.) which is 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:		
	Period		Monthly rental
	2004/3/15-2004/12/31		RMB22,750
	2005/1/1-2005/8/31		RMB29,120
	2005/9/1-2005/10/19		RMB42,693
	2005/10/20-2007/10/19		RMB48,792
2007/10/20-2009/10/19	RMB54,891		
47. A plot of land situated in Zhonggangshachang, Zhongshangang Bridge, Zhangjiabianwu Village, Huoju Development Area, Zhongshan City, Guangdong Province	The property comprises a plot of land with a total site area of approximately 4,000 sq.m. (43,056 sq.ft.) which is currently used as an interchange station.	No commercial value	
	The property is currently rented by the Group for a term from 1 July 2005 to 30 March 2012 at the following rentals:		
	Period		Monthly Rental
	2005/10/1-2006/9/30		RMB14,400
	2006/10/1-2009/9/30		RMB15,840
2009/10/1-2012/3/30	RMB17,440		

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

Property	Description and tenancy particulars	Capital value in existing state as at 31 March 2006
48. A plot of land situated on the north coast of Xiaohe, west side of Xinshuizha, Fulusha Management District, Dongguan, Guangdong Province	The property comprises a plot of land with a total site area of approximately 5,000 sq.m. (53,820 sq.ft.) which is currently used as an interchange station. The property is currently rented by the Group for a term from 1 January 2005 to 8 April 2006 at an annual rental of RMB90,000. In the contractual period, the Group should pay for a total consideration of RMB112,500.	No commercial value
49. A plot of land situated on the First Road, Tancun Industrial District, Chencun Town, Shunde District, Foshan, Guangdong Province	The property comprises a plot of land with a total site area of approximately 3,000 sq.m. (32,292 sq.ft.) which is currently used as an interchange station. The property is currently rented by the Group for a term from 1 January 2006 to 31 January 2021 at a monthly rental of RMB9,000 subject to upward adjustment starting from the fourth year at a rate of 8% for every year.	No commercial value
50. A plot of land situated in Xinminjianzaiweihtan, Changan Town, Dongguan, Guangdong Province	The property comprises a plot of land with a total site area of approximately 1,500 sq.m. (16,146 sq.ft.) which is currently used as an interchange station. The property is currently rented by the Group for a term from 1 January 2006 to 31 December 2016 at a monthly rental of RMB6,000 subject to upward adjustment starting from the second year at a rate of 5% for every year.	No commercial value
51. 42 rooms on level 4, Dawozu, Xiaohe Administration District, Daojiao Town, Dongguan, Guangdong Province	The property comprises 42 rooms on level 4 of a 4-storey building completed in 2005. The property has a total gross floor area of 380 sq.m. (4,090 sq. ft.) and is occupied by the Group for quarters use. The property is currently rented by the Group for a term from 11 December 2005 to 10 December 2007 at a monthly rental of RMB6,060.	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 March 2006
52. 1 Unit on level 7, Main Building, Postal Command Center, Xinshiji Plaza, Zhongshan Road, Guigang, Guangxi Province	<p>The property comprises 1 unit on level 7 of a 15-storey building completed in 2001.</p> <p>The property has a total gross floor area of 137.87 sq.m. (1,484 sq.ft.) and is occupied by the Group for office use.</p> <p>The property is currently rented by the Group for a term from 1 March 2005 to 28 February 2007 at a monthly rental of RMB1,930.18.</p>	No commercial value

Group V – Property interest rented by the Group in Macau

Property	Description and tenancy particulars	Capital value in existing state as at 31 March 2006
53. Unit J, Level 6, Macau Financial Centre, No. 202 A Beijing Street, Macau	<p>The property comprises a unit on the 6th floor of a 17-storey building completed in 1994.</p> <p>The property has a total gross floor area of 225.75 sq.m. (2,430 sq. ft.) and is occupied by the Group for office use.</p> <p>The property is currently rented by the Group for a term of 2 years from 1 November 2005 to 31 October 2007 at a monthly rental of HK\$15,000.</p>	No commercial value

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme of Arrangement, CRH, Smooth Concept and CRC.

The directors of CRH jointly and severally accept full responsibility for the accuracy of the information contained in this document, other than relating to CRC and Smooth Concept, and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this document, other than those expressed by CRC and Smooth Concept, have been arrived at after due and careful consideration and there are no facts, other than facts relating to CRC and Smooth Concept, not contained in this document, the omission of which would make any statement in this document misleading.

The directors of Smooth Concept jointly and severally accept full responsibility for the accuracy of the information contained in this document, other than relating to CRH and CRC, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document, other than those expressed by CRH and CRC, have been arrived at after due and careful consideration and there are no facts, other than those relating to CRH and CRC, not contained in this document, the omission of which would make any statements in this document misleading.

The directors of CRC jointly and severally accept full responsibility for the accuracy of the information contained in this document, other than relating to CRH and Smooth Concept, and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this document, other than those expressed by CRH and Smooth Concept, have been arrived at after due and careful consideration and there are no facts, other than facts relating to CRH and Smooth Concept, not contained in this document, the omission of which would make any statement in this document misleading.

2. MARKET PRICES

- (a) The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.03 per Share on 7 November 2005 and HK\$2.375 per Share on 7 April 2006 respectively.

- (b) The table below sets out the closing prices of the Shares on the Stock Exchange on the last business day of each of the six calendar months immediately preceding the Announcement on which trading of the Shares took place:

	Closing price <i>(HK\$)</i>
30 September 2005	1.26
31 October 2005	1.11
30 November 2005	1.12
31 December 2005	1.21
31 January 2006	1.27
28 February 2006	1.27

- (c) The closing price of the Shares on the Stock Exchange on the Last Trading Day was HK\$1.81.
- (d) The closing price of the Shares on the Stock Exchange on the Latest Practicable Date was HK\$2.375.

The shares in CRH and Smooth Concept are not listed on any stock exchange. As such, no market price information is available relating to the shares in CRH and Smooth Concept. According to the minutes of the board meeting of Smooth Concept on the Lasting Trading Day, 1 ordinary share in Smooth Concept of HK\$0.10 was issued to CRH. Apart from this, no transactions with respect to the shares in CRH and, or Smooth Concept had taken place during the Relevant Period.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the Shares and CRC's associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors in the Shares, underlying Shares of CRC and its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed under the Takeovers Code and, or notified to CRC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under Section 352 of the SFO were as follows:

Long position in the shares and underlying shares of:

(1) CRC

Name of Director	Capacity	Number of Shares held	Underlying Shares	Total	Aggregate long position in Shares and underlying Shares to issued share capital of the Company (note 1) (%)
Qiao Shibo	Beneficial owner	-	3,800,000	3,800,000	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	0.209
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 Options outstanding under the Share Option Scheme to subscribe for Shares are as follows:

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of Options			Aggregate long position in underlying Shares to issued share capital of the Company (note 1) (%)
				Outstanding at 01/01/2006	Granted during the period	Outstanding at Latest Practicable Date	
Qiao Shibo	5 December 2003	4 December 2013	2.325	3,000,000	–	3,000,000	0.995
	16 December 2004	15 December 2014	1.660	800,000	–	800,000	
Shi Shanbo	5 December 2003	4 December 2013	2.325	2,300,000	–	2,300,000	0.812
	16 December 2004	15 December 2014	1.660	800,000	–	800,000	
Zhou Junqing	5 December 2003	4 December 2013	2.325	2,000,000	–	2,000,000	0.733
	16 December 2004	15 December 2014	1.660	800,000	–	800,000	
Zhou Longshan	5 December 2003	4 December 2013	2.325	2,000,000	–	2,000,000	0.733
	16 December 2004	15 December 2014	1.660	800,000	–	800,000	
Sun Mingquan	5 December 2003	4 December 2013	2.325	1,800,000	–	1,800,000	0.681
	16 December 2004	15 December 2014	1.660	800,000	–	800,000	
Zheng Yi	5 December 2003	4 December 2013	2.325	1,800,000	–	1,800,000	0.681
	16 December 2004	15 December 2014	1.660	800,000	–	800,000	
Keung Chi Wang, Ralph	5 December 2003	4 December 2013	2.325	800,000	–	800,000	0.209
Chan Mo Po, Paul	5 December 2003	4 December 2013	2.325	200,000	–	200,000	0.052
Lin Zongshou	5 December 2003	4 December 2013	2.325	200,000	–	200,000	0.052
Lui Pui Kee, Francis	5 December 2003	4 December 2013	2.325	200,000	–	200,000	0.052

notes:

1. Based on 381,863,461 Shares in issue as at the Latest Practicable Date.
2. The above options granted on 5 December 2003 are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant.

3. The above options granted on 16 December 2004 are vested in four tranches of 25% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant.
4. Consideration for each of the above grants is HK\$1.00.

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

Name of Director	Capacity	Number of shares held	Underlying shares	Aggregate long position in shares and underlying shares to issued share capital of	
				Total	CRE (note 1) (%)
Qiao Shibo	Beneficial owner	1,400,000	–	1,400,000	0.060
Zhou Junqing	Beneficial owner	14,000	–	14,000	0.001
Zhou Longshan	Beneficial owner	50,000	–	50,000	0.002
Sun Mingquan	Interest of spouse	–	200,000	200,000	0.009
Jiang Wei	Beneficial owner	240,000	–	240,000	0.010
Keung Chi Wang, Ralph	Beneficial owner	1,166,000	–	1,166,000	0.050

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 share options				Aggregate long position in underlying shares to issued share capital of CRE (note 1) (%)
				Outstanding at 01/01/2006	Granted during the period	Exercised during the period	Outstanding at Latest Practicable Date	
Qiao Shibo	7 February 2002	6 February 2012	7.17	1,800,000	-	(1,800,000)	-	-
	14 January 2004	13 January 2014	9.72	2,000,000	-	(2,000,000)	-	-
Shi Shanbo	5 March 2002	4 March 2012	7.35	100,000	-	(100,000)	-	-
Zhou Longshan	5 March 2002	4 March 2012	7.35	110,000	-	(110,000)	-	-
	14 April 2003	13 April 2013	6.29	128,000	-	(128,000)	-	-
Sun Mingquan	7 February 2002	6 February 2012	7.17	150,000	-	(150,000)	-	0.009 (note 2)
	5 March 2002	4 March 2012	7.35	60,000	-	(60,000)	-	
	14 January 2004	13 January 2014	9.72	200,000	-	-	200,000	
	25 May 2004	24 May 2014	9.15	134,000	-	(134,000)	-	
Zheng Yi	5 March 2002	4 March 2012	7.35	60,000	-	(60,000)	-	-
Jiang Wei	8 March 2002	7 March 2012	7.50	600,000	-	(600,000)	-	-
Keung Chi Wang, Ralph	20 June 2000	19 June 2010	7.19	1,400,000	-	(1,400,000)	-	-
	7 February 2002	6 February 2012	7.17	500,000	-	(500,000)	-	
	14 January 2004	13 January 2014	9.72	216,000	-	(216,000)	-	
	2 June 2004	1 June 2014	9.55	850,000	-	(850,000)	-	

notes:

1. Based on 2,325,504,120 shares of CRE in issue as at Latest Practicable Date.
2. Total options for 200,000 shares in CRE are held by Ms. Sun Mingquan's spouse, and therefore Ms. Sun is deemed to be interested in these share options.
3. All the options granted will expire on the date falling ten years from the date of grant.
4. Consideration for each of the above grants is HK\$1.00.

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

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate
					long position in shares and underlying shares to issued share capital of CR Logic (note 1) (%)
Shi Shanbo	Beneficial owner	96,000	120,000	216,000	0.008
Zhou Junqing	Beneficial owner	–	120,000	120,000	0.004
Zhou Longshan	Beneficial owner	–	60,000	60,000	0.004
	Interest of spouse	–	60,000	60,000	
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 shares in CR Logic are as follows:

Name of Director	Date of grant	Date of expiry	Exercise price (HK\$)	Number of share options			Aggregate long position in underlying shares to issued share capital of CR Logic (<i>note 1</i>) (%)
				Outstanding at 01/01/2006	Granted during the period	Outstanding at Latest Practicable Date	
Shi Shanbo	9 April 2002	8 April 2012	0.820	120,000	-	120,000	0.004
Zhou Junqing	9 April 2002	8 April 2012	0.820	120,000	-	120,000	0.004
Zhou Longshan	9 April 2002	8 April 2012	0.820	120,000	-	120,000	0.004 (<i>note 2</i>)
Sun Mingquan	9 April 2002	8 April 2012	0.820	60,000	-	60,000	0.002
Zheng Yi	9 April 2002	8 April 2012	0.820	60,000	-	60,000	0.002
Jiang Wei	9 April 2002	8 April 2012	0.820	720,000	-	720,000	0.027

notes:

1. Based on 2,670,264,071 shares of CR Logic in issue as at 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 exercisable period is from the date of grant to the date of expiry.
4. Consideration for each of the above grants is HK\$1.00.

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

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate long position in shares and underlying shares to issued share capital of CR Land (note 1) (%)
Qiao Shibo	Beneficial owner	–	700,000	700,000	0.022
Shi Shanbo	Beneficial owner	–	120,000	120,000	0.004
Zhou Junqing	Beneficial owner	120,000	–	120,000	0.004
Zhou Longshan	Beneficial owner	–	80,000	80,000	0.008
	Interest of spouse	100,000	60,000	160,000	
Zheng Yi	Beneficial owner	80,000	–	80,000	0.003
Jiang Wei	Beneficial owner	892,000	–	892,000	0.028

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 share options			Outstanding at Latest Practicable Date	Aggregate long position in underlying shares to issued share capital of CR Land (note 1) (%)
				Outstanding at 01/01/2006	Granted during the period	Exercised during the period		
Qiao Shibo	1 June 2005	31 May 2015	1.230	700,000	-	-	700,000	0.022
Shi Shanbo	4 March 2002	3 March 2012	1.590	120,000	-	-	120,000	0.004
Zhou Junqing	4 March 2002	3 March 2012	1.590	120,000	-	(120,000)	-	-
Zhou Longshan	4 March 2002	3 March 2012	1.590	140,000	-	-	140,000	0.004 (note 2)
Sun Mingquan	4 March 2002	3 March 2012	1.590	80,000	-	(80,000)	-	-
Zheng Yi	4 March 2002	3 March 2012	1.590	80,000	-	(80,000)	-	-
Jiang Wei	4 March 2002	3 March 2012	1.590	720,000	-	(720,000)	-	-
	1 June 2005	31 May 2015	1.230	700,000	-	(700,000)	-	-
Keung Chi Wang, Ralph	27 June 1997	27 May 2007	4.592	2,000,000	-	(2,000,000)	-	-
	20 July 2000	27 May 2007	0.990	1,300,000	-	(1,300,000)	-	-

notes:

1. Based on 3,131,383,691 shares of CR Land in issue as at 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 and 1 June 2005 which are exercisable within a period of ten years from the date of grant, the expiry date for all share options is 27 May 2007.
4. Consideration for each of the above grants is HK\$1.00.

(5) *China Resources Power Holdings Company Limited (“CR Power”), an associated corporation of the Company*

Name of Director	Capacity	Number of shares held	Underlying shares	Total	Aggregate long position in shares and underlying shares to issued share capital of CR Power (note 1) (%)
Qiao Shibo	Beneficial owner	–	1,100,000	1,100,000	0.030
	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	–	54,000	54,000	0.001
Jiang Wei	Beneficial owner	–	1,600,000	1,600,000	0.042

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 share options			Outstanding at Latest Practicable Date	Aggregate long position in underlying shares to issued share capital of CR Power (note 1) (%)
				Outstanding at 01/01/2006	Granted during the period	Exercised during the period		
Qiao Shibo	12 November 2003	5 October 2013	2.80	630,000	-	-	630,000	0.030 (note 2)
	18 March 2005	17 March 2015	3.99	500,000	-	-	500,000	
Shi Shanbo	12 November 2003	5 October 2013	2.80	500,000	-	-	500,000	0.013
Zhou Junqing	12 November 2003	5 October 2013	2.80	120,000	-	-	120,000	0.003
Zhou Longshan	12 November 2003	5 October 2013	2.80	150,000	-	-	150,000	0.004 (note 3)
Sun Mingquan	12 November 2003	5 October 2013	2.80	190,000	-	-	190,000	0.005 (note 4)
Zheng Yi	12 November 2003	5 October 2013	2.80	90,000	-	(36,000)	54,000	0.001
Jiang Wei	12 November 2003	5 October 2013	2.80	1,000,000	-	-	1,000,000	0.042
	18 March 2005	17 March 2015	3.99	600,000	-	-	600,000	

notes:

1. Based on 3,812,349,000 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 of the options which were granted on 12 November 2003 is divided into five tranches exercisable during the periods from 6 October 2004, 2005, 2006, 2007 and 2008 to 5 October 2013. The exercisable period of the options which were granted on 18 March 2005 is divided into five tranches exercisable during the periods from 18 March 2006, 2007, 2008, 2009 and 2010 to 17 March 2015.
6. Consideration for each of the above grants is HK\$1.00.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in any securities of CRC or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed under the Takeovers Code and, or notified to CRC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under Section 352 of the SFO.

(b) Interests and short positions of substantial shareholders and other persons required to be disclosed under the SFO

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of CRC) had, or were deemed or taken to have, an interest or short position in the securities of CRC which would fall to be disclosed to CRC and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Number of Shares	Percentage of shareholding %	Principal amount of Convertible Bonds held HK\$	Number of Shares on conversion of Convertible Bonds (assuming a price of HK\$2.00)	Aggregate long position in Shares and underlying Shares relative to the existing issued share capital of CRC %
China Resources National Corporation ("CRNC")	270,132,647 (note 1)	70.7	742,872,000	371,436,000	168.0
China Resources Co., Limited	270,132,647 (note 1)	70.7	742,872,000	371,436,000	168.0
CRC Bluesky Limited	270,132,647 (note 1)	70.7	742,872,000	371,436,000	168.0
CRH	270,132,647 (note 1)	70.7	742,872,000	371,436,000	168.0
Diversified Asian Strategies Fund	10,535,740 (note 2)	2.8	32,880,000	16,440,000	7.1
PMA Capital Management Limited	20,378,000 (note 2)	5.3	52,456,000	26,228,000	12.2
Firstsuccess Investments Limited	–	–	742,872,000 (note 1)	371,436,000	97.3

notes:

1. Firstsuccess was interested in the Convertible Bonds with principal amount of HK\$742,872,000, and which may be converted into 371,436,000 Shares upon full conversion. Commotra held 418,000 Shares. CRH is deemed by virtue of Section 316 of Part XV of the SFO to have the same interests in the Convertible Bonds and the Shares as those held by Firstsuccess and Commotra. CRH is a wholly owned subsidiary of CRC Bluesky Limited which is in turn a wholly owned subsidiary of 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 the Shares as those held by CRH.
 2. The interests in the Shares held by PMA Capital Management Limited include the Shares held by Diversified Asian Strategies Fund.
 3. All the interests disclosed represent long positions in the Shares and underlying Shares.
- (c) Save and except the 270,132,647 Shares and the principal amount of HK\$742,872,000 of Convertible Bonds set out above, neither CRH Group nor Smooth Concept, own or control any Shares or convertible securities, warrants, options or derivatives in respect of the Shares as at the Latest Practicable Date.
- (d) The following table shows the shareholdings in CRC in which directors of CRH and, or Smooth Concept own, control or are interested:

Name and capacity	Number of Shares held	Percentage of shareholding
Ding Yali, a director of CRH	20,000	0.005%
Yan Biao, a director of CRH	90,000	0.024%
Wang Yin, a director of CRH	2,800	0.001%
Wang Qun, a director of CRH	4,000	0.001%
Wong Siu Ping, a director of Smooth Concept	102,000	0.027%

Except as disclosed in 3(a) and above, as at the Latest Practicable Date, none of the directors of CRH or Smooth Concept or persons acting in concert with each of them owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of any Shares.

None of the directors of CRH or Smooth Concept holds any shares in CRH or Smooth Concept.

The table below shows the interest held, or deemed to be held, by CRH and parties acting in concert with it in the Shares, Convertible Bonds and Options as at the Latest Practicable Date:

Names of Shareholders, Convertible Bondholders or Optionholders, as the case maybe	No. of Shares held	Percentage of the issued share capital of CRC	Convertible Bonds held (in HK\$)	Percentage of principal amount of the	
				Convertible Bonds held	No. of Options held
CRH	269,714,647	70.631%	742,872,000 <i>(note 1)</i>	92.872%	–
Commotra	418,000	0.109%	–	–	–
Ding Yali	20,000	0.005%	–	–	–
Yan Biao	90,000	0.024%	–	–	–
Wang Yin	2,800	0.001%	–	–	–
Wang Qun	4,000	0.001%	–	–	–
Wong Siu Ping	102,000	0.027%	–	–	–
Qiao Shibo, a director of CRH and CRC	–	–	–	–	3,800,000
Sub-total	270,351,447	70.798%	742,872,000	92.872%	3,800,000
Others	111,512,014	29.202%	57,016,000	7.128%	30,640,000
Total	381,863,461	100.000%	799,888,000	100.000%	34,440,000 <i>(note 2)</i>

notes:

- The HK\$742,872,000 Convertible Bonds are held by Firstsuccess.
 - The Options comprise 26,070,000 options of which the exercise price is HK\$2.325 per Option, and 8,370,000 options of which the exercise price is HK\$1.66 per Option.
- (e) As at the Latest Practicable Date, no one who owns or controls Shares, shares in CRH and, or Smooth Concept or convertible securities, warrants, options or derivatives in respect of Shares and, or shares in CRH and, or Smooth Concept has irrevocably committed himself, herself or itself to (i) vote in favour of or against the resolutions in respect of the Proposal at the Court Meeting and at the EGM or (ii) accept the Convertible Bond Offer.

- (f) As at the Latest Practicable Date, there were no holdings of Shares or other securities in CRC, shares or other securities in CRH and, or Smooth Concept, owned or controlled by any person with whom CRH or any person acting in concert with it has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.
- (g) As at the Latest Practicable Date, save as otherwise disclosed on page 234 of this document, (i) none of the directors of CRH or Smooth Concept had an interest in the securities in CRC; (ii) none of the persons acting in concert or deemed to be acting in concert with CRH or Smooth Concept owned or controlled any of the securities in CRC; and (iii) no securities in CRC are owned or controlled by any persons who, prior to the posting of this document, have irrevocably committed themselves to vote either for or against the Proposal at the Court Meeting and the EGM.
- (h) As at the Latest Practicable Date, none of CRH, Smooth Concept or any persons acting in concert with each of them had any arrangement with any other person of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.
- (i) As at the Latest Practicable Date, neither CRC nor any of the Directors was interested in any securities in CRH or Smooth Concept.
- (j) As at the Latest Practicable Date, no subsidiary of CRC, or any pension fund of CRC or of any other member of CRC Group or any adviser to CRC as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) owned or controlled any Shares, shares in CRH or Smooth Concept, or convertible securities, warrants, options or derivatives in respect of Shares and, or shares in CRH or Smooth Concept.
- (k) As at the Latest Practicable Date, no shareholding in CRH, Smooth Concept or CRC was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with CRC.
- (l) As at the Latest Practicable Date, neither CRC nor any of its associates by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

4. DEALING IN THE SECURITIES OF CRH, SMOOTH CONCEPT AND CRC

During the Relevant Period,

- (a) none of CRH, Smooth Concept or parties acting in concert with them had dealt for value in the securities of CRC;
- (b) none of the Directors had dealt for value in any securities in CRC;
- (c) none of the Directors have dealt the securities of CRH or Smooth Concept;
- (d) none of the directors of CRH and Smooth Concept had dealt for value in any securities in CRH, Smooth Concept or CRC;
- (e) no persons acting in concert with CRH and Smooth Concept had dealt for value in any securities in CRH, Smooth Concept or CRC;
- (f) CRC had not dealt for value in the shares in CRH and Smooth Concept;
- (g) none of CRC, the subsidiaries of CRC, any pension funds of CRC or of any of its subsidiaries or advisers to CRC as specified in class (2) of the definition of “associate” under the Takeovers Code, had dealt for value in any securities in CRH, Smooth Concept and, or CRC; and
- (h) no fund managers (other than exempted fund managers) connected with CRC and who managed funds on a discretionary basis connected with CRC had dealt for value in any securities in CRH, Smooth Concept or CRC.

5. LITIGATION

None of CRC or any of its subsidiaries are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against CRC or any of its subsidiaries.

Neither CRH nor Smooth Concept is, or may become, a party to any material litigation.

6. MATERIAL CONTRACTS

Neither CRH nor any of its subsidiaries (including Smooth Concept) has entered into any material contract, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by CRH or any of its subsidiaries, during the two year period preceding the date of the Announcement and up to the Latest Practicable Date.

The following contracts have been entered into by members of the CRC Group within two years preceding the date of the Announcement and up to the Latest Practicable Date, and are or may be material:

- a share transfer agreement in Chinese dated 19 July 2004 regarding the acquisition of the remaining 30% interest in 深圳華潤混凝土有限公司 (China Resources Concrete (Shenzhen) Co., Ltd., formerly Shenzhen China Resources Tiejian Concrete Co., Ltd.) at the consideration of RMB15 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 China Resources Concrete Limited (“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 sale and purchase agreement dated 29 November 2004 between the Company and CRH regarding the acquisition of the entire issued share capital of Tricot Limited (“Tricot”) and the related shareholders’ loan; and hence the indirect acquisition of a 73.5% equity interest in 華潤水泥(平南)有限公司 (China Resources Cement (Pingnan) Limited) (“CR Pingnan Cement”) at the consideration of HK\$151.7 million;
- a subscription agreement dated 29 November 2004 entered into by China Resources Cement Finance Limited (“CR Cement Finance”), the Company, Firstsuccess and CRH relating to the issue of the Convertible Bonds in the amount of HK\$800 million;
- a supplemental agreement in Chinese dated 16 December 2004 between 廣西華潤紅水河水泥有限公司 (Guangxi China Resources Hongshuihe Cement Co., Ltd.) and Profit Pool Holdings Limited regarding the increase of share capital of 湛江華潤紅水河水泥有限公司 (Zhanjiang China Resources Hongshuihe Cement Co., Ltd.) 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 China Resources Dongguan Cement Manufactory Holdings Limited;
- an instrument dated 13 January 2005 between the Company and CR Cement Finance which constituted the Convertible Bonds;
- an instrument of transfer dated 13 January 2005 between CRH 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 CRH, the Company and Tricot for the assignment of a shareholder’s loan in the principal amount of HK\$150,265,252.16 from CRH to the Company;
- an amended and restated instrument dated 27 January 2005 between the Company and CR Cement Finance constituting the Convertible Bonds, which supersedes the instrument dated 13 January 2005;
- a supplemental agreement in Chinese dated 11 April 2005 between Tricot and Guangxi Yufeng Group Cement Company Limited (“Guangxi Yufeng”) regarding the increase of registered capital of CR Pingnan Cement from RMB217.7 million to RMB636.9 million and the contribution of additional registered capital of a total of RMB419.22 million in cash by Tricot to Guangxi Yufeng;
- an agreement in Chinese dated 11 April 2005 between Tricot and Guangxi Yufeng regarding amendments to the articles of association of CR Pingnan Cement to increase the total investment from RMB650 million to RMB1,700 million and the registered capital from RMB217.7 million to RMB636.92 million; and
- a sale and purchase agreement in Chinese dated 31 August 2005 between China Resources Cement Investments Limited, a wholly owned subsidiary of the Company, Guangxi Yufeng and Tricot regarding the acquisition of the remaining 9.1% equity interest in CR Pingnan Cement held by Guangxi Yufeng at the consideration of RMB64,624,000.

7 EXPERTS

The following are the qualifications of each of the experts who have been named in this document or given their opinion or advice which are contained in this document:

Name	Qualification
Anglo Chinese	A deemed licensed corporation under the SFO, licensed to carry on types 1, 4, 6 and 9 of the regulated activities as defined in the SFO.
Somerley	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.
DTZ Debenham	Professional Surveyors and Valuers.

8. CONSENT

Anglo Chinese, Somerley and DTZ Debenham have given and have not withdrawn their respective written consents to the issue of this document with the inclusion in this document of the text of their respective letters and references to their names in the form and context in which they are included.

9. COSTS OF THE SCHEME OF ARRANGEMENT

In the event that the Scheme of Arrangement becomes effective, the costs of the Scheme of Arrangement will be borne by Smooth Concept. The costs of the Scheme of Arrangement and of its implementation are expected to amount to approximately HK\$9.0 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

In the event that the Scheme of Arrangement is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the independent financial adviser to the aforesaid Independent Board Committee, and the Scheme of Arrangement is not approved at the relevant Shareholders' meeting(s) or does not become unconditional, all the expenses incurred by CRC in connection with the Scheme of Arrangement shall be borne by Smooth Concept.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday at (i) the office of Herbert Smith, legal adviser to CRC, at 23rd Floor, Gloucester Tower, 11 Pedder Street, Central, Hong Kong; (ii) the website of CRC at *www.crcement.com.hk*; and (iii) the website of SFC at *www.sfc.hk* from the date this document is published until the Effective Date or the date on which the Scheme of Arrangement lapses, whichever is earlier:

- (a) the memorandum and articles of association of CRH and Smooth Concept;
- (b) the memorandum and articles of association of CRC;
- (c) the annual reports containing the audited consolidated financial statements of CRC for the two years ended 31 December 2005;
- (d) the letter from the Board, the text of which is set out on pages 11 to 21 of this document;
- (e) the letter of advice from Anglo Chinese, the text of which is set out on pages 22 to 24 of this document;
- (f) the letter of recommendation of the Independent Board Committee, the text of which is set out on pages 25 to 26 of this document;
- (g) the letter of advice from Somerley, the text of which is set out on pages 27 to 59 of this document;
- (h) the valuation certificate and associated report from DTZ Debenham, the text of which is set out in Appendix II to this document;
- (i) the written consents referred to in the paragraph headed “Consent” in Appendix III to this document;
- (j) material contracts set out on pages 237 to 239 of this document; and
- (k) the letter of undertaking given by CRH to those Shareholders who elect to receive shares of Smooth Concept that, upon the Scheme of Arrangement becoming effective, CRH will exercise its rights of control so far as it is able to ensure that Smooth Concept’s sole business will be that of a holding company for CRC.

11. MISCELLANEOUS

- (a) The shares in CRH and Smooth Concept are not listed on any stock exchange. Neither CRH nor Smooth Concept has published their respective audited financial statements, interim statement or preliminary announcement for the last 3 financial years or in the case of Smooth Concept, since it was established on 13 February 2006. CRH has undertaken to those Shareholders who elect to receive shares of Smooth Concept that, upon the Scheme of Arrangement becoming effective, CRH will exercise its rights of control so far as it is able to ensure that Smooth Concept's sole business will be that of a holding company for CRC. On the basis of this undertaking, the Executive has agreed that the financial information of CRH referred to in paragraph 12(a) of Schedule I to the Takeovers Code need not be disclosed.
- (b) None of the Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme of Arrangement.
- (c) There is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme of Arrangement or otherwise connected with the Scheme of Arrangement.
- (d) There is no agreement or arrangement or understanding (including any compensation arrangement) between CRH, Smooth Concept or any person acting in concert with them (on the one part) and any of the Directors, recent Directors, Shareholders or recent Shareholders of CRC (on the other part) having any connection with or dependence upon the Scheme of Arrangement.
- (e) Neither CRH nor Smooth Concept has any intention to transfer, charge or pledge any securities in CRC acquired pursuant to the Scheme of Arrangement and the Convertible Bond Offer to any other person.
- (f) The emoluments of the directors of CRH and, or Smooth Concept will not be affected by the Scheme of Arrangement or any other associated transaction.

- (g) Settlement of the consideration to which any Shareholder is entitled under the Cash Alternative, the Share Alternative or the Combination Alternative will be implemented in full in accordance with the terms of the Cash Alternative, the Share Alternative or the Combination Alternative, as the case may be, without regard to any lien, right of set-off, counterclaim or other analogous right to which CRH and Smooth Concept may otherwise be, or claim to be, entitled against such Shareholder. Settlement of the consideration to which any Convertible Bondholder is entitled under the Convertible Bond Offer will be implemented in full in accordance with the terms of the Convertible Bond Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which CRH and Smooth Concept may otherwise be, or claim to be, entitled against such Convertible Bondholder. Settlement of the Option Lapsing Payment will be made without regard to any lien, right of set-off, counterclaim or other analogous right to which CRH and Smooth Concept may otherwise be, or claim to be, entitled against the Optionholders.
- (h) As at the Latest Practicable Date, CRC was owned as to some 70.7% by CRH Group. Assuming the Scheme of Arrangement becomes effective and that all Shareholders elect to accept the Share Alternative, the Shareholders will become shareholders of Smooth Concept, the assets, liabilities, profits (on a consolidated basis) and business of which will be the same as that of CRC. (Please refer to the sub-section headed “Information on CRC” on page 76 and “Financial information on the CRC Group” in Appendix I to this document for further details of the assets, liabilities, profits and business of the CRC Group.)
- (i) There is no agreement or arrangement to which CRH or Smooth Concept is party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal, the Convertible Bond Offer and the Option Lapsing Payment.
- (j) As at the Latest Practicable Date, Smooth Concept did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.
- (k) Since 13 February 2006, the date of incorporation, and up to the Latest Practicable Date, Smooth Concept had in issue 1 share and had not repurchased any of its share.
- (l) Neither CRH nor Smooth Concept has any options, warrants or conversion rights affecting shares in the two companies.
- (m) Neither CRH nor Smooth Concept had undergone any re-organisation of capital during the two financial years preceding the date of the Announcement.

- (n) CRNC, a PRC state-owned enterprise, is the ultimate holding company of CRH and Smooth Concept. As at the Latest Practicable Date, CRNC owned or controlled 10,000 ordinary shares in CRH which in turn owned 1 share in Smooth Concept. CRNC is a party acting in concert with CRH and Smooth Concept. CRNC is a company which was incorporated in PRC on 31 December 1986 with limited liability. The registered office of CRNC is situated at Room 2701-2705, 27th Floor, No.8 Jianguomenbei Avenue, Dongcheng District, Beijing, PRC. The directors of each of CRNC and CRH are:

Chen Xinhua
Song Lin
Ding Yali
Chen Shulin
Qiao Shibo
Wang Yin
Jiang Wei
Yan Biao
Wang Shuaiting
Zhou Shengjian
Zhu Jinkun
Chen Lang
Wang Qun

The directors of Smooth Concept are Messrs. Wong Siu Ping and Lin Guolong.

The respective addresses of the principal members of the parties acting in concert with CRH are as follows:

- Firstsuccess at 47th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- Commotra at Room 4703-05, 47th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- Ms. Ding Yali at Room 2804-2805, Block A, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong.
- Mr. Yan Biao at Room 2503-2504, Block A, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong.
- Mr. Wang Yin at 3rd Floor, No. 7, Sing Woo Crescent, Happy Valley, Hong Kong.
- Mr. Wang Qun at Room B1-1001, Block 2, Jinqiujayuan, Luozhuang Beili, Haidian District, Beijing, China.
- Mr. Wong Siu Ping at Flat E, 8th Floor, Block 6, Laguna City, Kowloon, Hong Kong.

- Mr. Qiao Shibo at 8th Floor, No. 7, Sing Woo Crescent, Happy Valley, Hong Kong.
- (o) The Secretary of CRC is Mr. Lee Yip Wah, Peter who is a practising solicitor in Hong Kong.
- (p) The Qualified Accountant of CRC is Mr. Lau Chung Kwok Robert who is 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.
- (q) The registered office of CRC is situated at P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (r) The head office and principal place of business of CRH is situated at 49th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The head office and principal place of business of CRC is situated at Room 4107, 41st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The address of Smooth Concept is 4703-05, 47th Floor, China Resource Building, 26 Harbour Road, Wanchai, Hong Kong.
- (s) The share registrar and transfer office of CRC is Standard Registrars Limited, which is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (t) The principal place of business of Anglo Chinese is at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (u) The principal place of business of Somerley is at Suite 2201, 22nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (v) As at the Latest Practicable Date, there was no material contract entered into by CRH and Smooth Concept in which any of the Directors had a material personal interest.
- (w) As at the Latest Practicable Date, none of the Directors has entered into any service contract with CRC or any of its subsidiaries or associated companies which has more than 12 months to run, or which has been entered into or amended within six months before the commencement of the Offer Period, or which is a continuous contract with a notice period of 12 months or more.

- (x) The English language text of this document shall prevail over the Chinese language text.
- (y) This document is displayed at CRC's website at *www.crcement.com.hk*.

SCHEME OF ARRANGEMENT

IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO: 172 OF 2006

IN THE MATTER OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED
AND IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW, CAP. 22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS

SCHEME OF ARRANGEMENT
between
CHINA RESOURCES CEMENT HOLDINGS LIMITED
and
THE HOLDERS OF SCHEME SHARES
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Cash Alternative”	HK\$2.45 per Scheme Share (applicable to Shareholders other than the CRH Group)
“Combination Alternative”	an option on the Election Form whereby Shareholders may elect a combination of the Cash Alternative and the Share Alternative (applicable to Shareholders other than the CRH Group)
“Commotra”	Commotra Company Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of CRH
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“Company”	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability

SCHEME OF ARRANGEMENT

“Controlling Shareholder”	CRH
“Court”	the Grand Court of the Cayman Islands
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the holding company of Smooth Concept
“CRH Group”	CRH and Commotra
“Effective Date”	the date on which this Scheme becomes effective in accordance with the Companies Law
“Election Form”	the form of election to be completed by the holders of Scheme Shares (other than the CRH Group) for either the Share Alternative or the Combination Alternative
“Excluded Party/Parties”	parties acting in concert with CRH, which, as at the Latest Practicable Date, included Commotra, Ding Yali, Yan Biao, Wang Yin, Wang Qun (the last four of which are directors of CRH) and Wong Siu Ping, a director of Smooth Concept, who, together, were the legal and, or beneficial owners of an aggregate of 636,800 Shares, representing approximately 0.165% of the issued share capital of the Company as at the Latest Practicable Date
“holder(s)”	a registered holder, and includes a person entitled by transmission to be registered as such and joint holders
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Latest Practicable Date”	16 May 2006 being the latest practicable date prior to printing of the document dated 22 May 2006 sent to, amongst others, holders of Shares, in which this Scheme is contained
“Record Time”	4:00 p.m. Hong Kong time on 21 July 2006 for determining entitlements under this Scheme
“Register”	the register of members of the Company

SCHEME OF ARRANGEMENT

“Scheme”	the scheme of arrangement set out herein under Section 86 of the Companies Law in its present form or with or subject to any modification hereof or addition hereto or condition(s) which the Court may approve or impose
“Scheme Share(s)”	the Shares in issue as at the Record Time
“Share(s)”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares
“Share Alternative”	an option on the Election Form whereby Shareholders may elect one (1) share in Smooth Concept for each Scheme Share held (applicable to Shareholders other than the CRH Group)
“Smooth Concept”	Smooth Concept Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CRH
“Takeovers Code”	the Code on Takeovers and Mergers

- (B) The Company was incorporated as an exempted company on 13 March 2003 in the Cayman Islands under the Companies Law.
- (C) The authorized share capital of the Company as at the Latest Practicable Date was HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 of which 381,863,461 Shares were issued and fully paid, with the remainder being unissued.
- (D) CRH, through its wholly-owned subsidiary, Smooth Concept, has proposed the privatization of the Company by way of the Scheme.
- (E) The primary purpose of the Scheme is that all of the Scheme Shares should be cancelled and extinguished and that the Company should become a wholly-owned subsidiary of Smooth Concept.
- (F) On the Latest Practicable Date, 269,714,647 Shares were legally and, or beneficially owned by the Controlling Shareholder and registered as follows:

Name of Controlling Shareholder	Name of registered holders	Number of Shares
CRH	China Resources (Holdings) Company Limited	269,516,047
	HKSCC Nominees Limited	198,600

SCHEME OF ARRANGEMENT

The Controlling Shareholder has undertaken that in relation to such Shares in which it is legally and, or beneficially interested, such Shares will remain so registered and it shall remain so legally and, or beneficially interested in them until the date on which this Scheme becomes effective, is withdrawn or lapses, and such Shares will not be represented or voted at the meeting convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme.

- (G) On the Latest practicable date, an aggregate of 636,800 Shares were legally and, or beneficially owned by the Excluded Parties and registered as follows:

Name of Excluded Party	Name of registered holders	Number of Shares
Commotra	Commotra Company Limited	83,200
	HKSCC Nominees Limited	334,800
Ding Yali	HKSCC Nominees Limited	20,000
Yan Biao	HKSCC Nominees Limited	90,000
Wang Yin	HKSCC Nominees Limited	2,800
Wang Qun	CRE (Nominees) Limited	4,000
Wong Siu Ping	HKSCC Nominees Limited	102,000

Each of the Excluded Parties, being presumed to be acting in concert with CRH under the Takeovers Code, has undertaken that in relation to such Shares in which each of them is legally and, or beneficially interested, all such Shares will remain so registered and they shall retain their legal and, or beneficial interest in them until the date on which this Scheme becomes effective, is withdrawn or lapses, and will procure that such Shares will not be represented or voted at the meeting convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme.

- (H) CRH, Commotra and Smooth Concept have agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court (whether at that hearing or beforehand) to be bound thereby and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by canceling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to Smooth Concept the same number of Shares as the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new Shares issued to Smooth Concept, credited as fully paid.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. (a) In consideration of the cancellation and extinguishment of the Scheme Shares, each holder of Scheme Shares (other than the CRH Group) will, at his, her or its election, receive from Smooth Concept:
 - (i) the Share Alternative; or
 - (ii) the Combination Alternative.
- (b) Any holder of Scheme Shares (other than the CRH Group) that does not elect either the Share Alternative or the Combination Alternative as to any or all of his, her or its Scheme Shares will receive the Cash Alternative for those Scheme Shares in respect of which such an election was not made.

SCHEME OF ARRANGEMENT

- (c) In consideration for the cancellation and extinguishment of the Scheme Shares held by the CRH Group, Smooth Concept shall issue to the CRH Group the same number of shares, credited as fully paid, as the CRH Group previously held in the Company, and the CRH Group shall subscribe for (and be issued) such further shares in Smooth Concept at HK\$2.45 per share as shall be necessary to fund the Cash Alternative (which requires the CRH Group to subscribe for (and be issued) the same number of additional shares in Smooth Concept as the number of Scheme Shares in respect of which the Cash Alternative is to be paid).

PART III

Election Form

3. (a) The election referred to in Part II above may be made by the holders of Scheme Shares in respect of all or any of their respective shareholdings in the Company, and such election shall be made by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised officer), which shall be lodged so as to be received by the share registrar of the Company in Hong Kong, being Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 21 July 2006 or such later date as may be notified to the holders of Scheme Shares through press announcements to be published in the newspapers specified on the Election Form. No such election shall be valid unless the Election Form is properly completed in all respects. An Election Form so completed and delivered shall not be capable of amendment.
- (b) An Election Form shall be irrevocable and incapable of being withdrawn unless the Company expressly consents in writing to such withdrawal or revocation.
- (c) The Company shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form. In addition, the Company shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that the Company in its absolute discretion considers the omissions or errors to be immaterial. The Company shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

SCHEME OF ARRANGEMENT

PART IV

General

4. (a) Not later than seven (7) days after the Effective Date, the director(s) of Smooth Concept shall unanimously resolve to issue to those holders of Scheme Shares that elected the Share Alternative or the Combination Alternative the relevant number of shares in Smooth Concept as required by the Share Alternative and the Combination Alternative.
- (b) Not later than seven (7) days after the Effective Date, Smooth Concept shall enter on its register of members the relevant details of those holders of Scheme Shares that elected the Share Alternative or the Combination Alternative.
- (c) Not later than seven (7) days after the Effective date, Smooth Concept shall issue to the CRH Group the same number of shares in Smooth Concept (credited as fully paid) as the CRH Group had in the Company at the Record Time. In addition, the CRH Group shall subscribe for and Smooth Concept shall issue to the CRH Group such further shares in Smooth Concept at HK\$2.45 per share as shall be necessary to fund the Cash Alternative (which requires the CRH Group to subscribe for and be issued the same number of additional shares in Smooth Concept as the number of Scheme Shares in respect of which the Cash Alternative is to be paid).
- (d) Not later than ten (10) days after the Effective Date, Smooth Concept shall issue share certificates in Smooth Concept to the CRH Group (in accordance with paragraph 4(c) of this Clause 4) and to the holders of Scheme Shares that elected the Share Alternative or the Combination Alternative, and shall send those share certificates, or cause them to be sent, to such holders at the same time.
- (e) Not later than ten (10) days after the Effective Date, Smooth Concept shall send or cause to be sent to holders of Scheme Shares (other than the CRH Group) cheques in respect of the sums payable to such holders that are to receive the Cash Alternative as to all or any of their Scheme Shares.
- (f) Unless otherwise indicated in writing to the share registrar of the Company in Hong Kong, being Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, all cheques to be despatched to holders of Scheme Shares that are to receive the Cash Alternative as to all or any of their Shares, and all share certificates in Smooth Concept to be despatched to holders of Scheme Shares that elected the Share Alternative or the Combination Alternative, shall be sent by

SCHEME OF ARRANGEMENT

- post in pre-paid envelopes addressed to such holders at their respective addresses as appearing on the Register at the Record Time or, in the case of joint holders, at the address as appearing on the Register at the Record Time of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
- (g) Cheques and share certificates shall be posted at the risk of the addressee and neither Smooth Concept nor the Company shall be responsible for any loss or delay in the transmission of the same.
- (h) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (f) of this Clause 4, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to Smooth Concept for the monies represented thereby.
- (i) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (e) of this Clause 4, Smooth Concept shall have the right to cancel or countermand payment of any such cheque which has not been encashed or that has been returned uncashed and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six years from the Effective Date and shall prior to such date make payments thereof of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto and the cheques referred to in paragraph (e) of this Clause 4 of which they are payees have not been cashed. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (j) On the expiration of six years from the Effective Date, Smooth Concept shall be released from any further obligation to make any payments under this Scheme and the Company shall transfer to Smooth Concept the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph (i) of this Clause 4 subject, if applicable, to the deduction of interest or any withholding tax or other tax or any other deductions required by law and subject to the deduction of any expenses.
- (k) Paragraph (i) of this Clause 4 shall take effect subject to any prohibition or condition imposed by law.

SCHEME OF ARRANGEMENT

5. Each instrument of transfer and certificate existing at the Record Time in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Company to deliver up the same to the Company for the cancellation thereof.
6. All mandates or relevant instructions to the Company in force at the Record Time relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
7. Subject to Clause 1, this Scheme shall become effective as soon as a copy of the order of the Court sanctioning this Scheme under Section 86 of the Companies Law has been registered by the Registrar of Companies in the Cayman Islands.
8. Unless this Scheme shall have become effective on or before 30 October 2006 or such later date, if any, as Smooth Concept and the Company may agree, or as the Court on application of Smooth Concept or the Company may allow, this Scheme shall lapse.
9. The Company and Smooth Concept may jointly consent for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.
10. All costs, charges and expenses of and incidental to this Scheme and the costs of carrying this Scheme into effect will be borne by Smooth Concept.

Dated 22 May 2006

NOTICE OF COURT MEETING

**IN THE COURT OF THE CAYMAN ISLANDS
CAUSE NO. 172 OF 2006**

**IN THE MATTER OF
CHINA RESOURCES CEMENT HOLDINGS LIMITED
AND
IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW, CAP.22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 18 May, 2006 (the “Order”) made in the above matter, the Grand Court of the Cayman Islands (the “Court”) has directed a meeting (the “Meeting”) to be convened of the holders of shares of HK\$0.10 each in capital of China Resources Cement Holdings Limited (the “Company”) for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement proposed to be made between the Company and the holders of the Scheme Shares (as defined in the scheme of arrangement hereinafter mentioned (the “Scheme”)), and that the Meeting will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 15 June 2006 at 10:00 a.m. (Hong Kong time) at which place and time all such holders of shares of HK\$0.10 each in capital of the Company are requested to attend.

A copy of the Scheme and a copy of an explanatory statement explaining the effect of the Scheme are incorporated in the composite document of which this Notice forms part. A copy of the said composite document can also be obtained by the above-mentioned holders of shares of HK\$0.10 each in the capital of the Company from the Company’s share registrar in Hong Kong, being Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

The above-mentioned holders of shares of HK\$0.10 each in the capital of the Company may vote in person at the Meeting or they may appoint one or more proxies, whether a member of the Company or not, to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

In the case of joint holders of a share, the vote of the most senior holder who tenders a vote, whether personally or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant joint holding.

NOTICE OF COURT MEETING

It is requested that forms appointing proxies be lodged, by hand or by post, with Standard Registrars Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by facsimile at (852) 3118 6830 (marked for the attention of "the Company Secretary") not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the chairman of the Meeting at the Meeting.

By the Order, the Court has appointed Zhou Longshan, a director of the Company, or, failing him, Sun Mingquan also a director of the Company or, failing her, any other person who is a director of the Company as at the date of the Order to act as the chairman of the Meeting, and has directed the chairman of the Meeting to report the results thereof to the Court.

The Scheme will be subject to a subsequent application seeking the sanction of the Court.

Dated 22 May, 2006.

Maples and Calder
P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman, Cayman Islands
Attorneys-at-Law for the Company

NOTICE OF EGM



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Codes: 712 and 2512)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Resources Cement Holdings Limited (the “Company”) will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 15 June 2006, at 10:30 a.m. (Hong Kong time) (or as soon thereafter as the Court Meeting (as defined in the scheme of arrangement hereinafter mentioned) convened by direction of the Grand Court of the Cayman Islands for the same day and place shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the scheme of arrangement dated 22 May 2006 (the “Scheme”) between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved;
- (B) for the purpose of giving effect to the Scheme of Arrangement, on the Effective Date, (as defined in the Scheme):
 - (i) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to Smooth Concept the same number of shares as the number of Scheme Shares cancelled and extinguished; and

NOTICE OF EGM

- (iii) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph B(i) above in paying up in full at par the new shares issued to Smooth Concept, credited as fully paid.
- (C) the directors of the Company be and are hereby authorised to do all acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose.”

By Order of the Board

Qiao Shibo

Chairman

Hong Kong, 22 May 2006.

Registered Office:

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

Head Office and Principal Place of Business in Hong Kong:

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

NOTICE OF EGM

notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the meeting in person to represent him.
2. A white form of proxy for use at this meeting is enclosed herewith.
3. In order to be valid, the white form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be lodged with the Company's share registrar, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or faxed to (852) 3118 6830 (marked for the attention of the "Company Secretary"), not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person if he so wishes. In the event that a member attends the meeting after having lodged his proxy form, his form of proxy will be deemed to have been revoked.
4. In the case of joint holders of a share in the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he or she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, the most 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 of members of the Company in respect of the relevant joint holding.
5. At the meeting, the Chairman thereof will exercise his power under article 76 of the articles of association of the Company to put the above resolution to the vote by way of a poll.
6. The register of members of the Company will be closed from 13 June 2006 to 15 June 2006 (both dates inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with CRC's share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.