

The Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Griffiths (chairman of the Committee), Mr. Marvin Cheung Kin Tung and Mr. Moses Cheng Mo Chi. Its other member is Professor Michael John Enright, a Non-executive Director. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies.

The Committee met four times during the year to review the financial statements of the Group and to examine the effectiveness of systems of internal control as well as other major business or financial issues. Mr. Anthony Griffiths and Professor Michael John Enright attended all of the meetings. Mr. Marvin Cheung Kin Tung, who was appointed with effect from 13 July, 2004, attended each of the three meetings during his period of service. Mr. Moses Cheng Mo Chi attended one of the three meetings after his appointment with effect from 30 September, 2004. Other attendees of the meetings were the internal auditor and, by invitation, the Executive Director responsible for the financial function and representatives of the external auditors. The Company Secretary acts as the secretary to the Committee.

The Committee reviewed the results announcements, the interim and annual reports, connected party transactions and other items as specified in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other regulations. The Committee also carried out critical evaluation of selected business operations and their major accounting issues.

The Committee adopts an internal audit work plan each year, monitoring both the progress and the staffing, inclusive of development, of the department conducting internal audit. During the year, the Committee reviewed assignments completed in accordance with the work plan and examined the following key issues:

- The identification and management of the business risks of the major operations in both Hong Kong and the Chinese Mainland
- The effectiveness of key internal controls designated for revenue management and financial reporting systems of the cement operations on the Chinese Mainland
- The adequacy of the provision for doubtful debts included in the financial statements
- The changes in accounting policies and the financial impact of new accounting practices on the Group

In view of the rapid expansion of the Group in the Chinese Mainland, steps were taken to increase audit resources by appointing two professional accounting firms initially on a trial basis to undertake one assignment each to review the accounting and internal controls at specific cement plants. In the future, great emphasis will be placed on reviewing internal control systems and the management of business risks including changes made to enhance their effectiveness.