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## Composition

Mr. Anthony Griffiths (Chairman of the Committee)  
Mr. Cheng Mo Chi, Moses  
Professor K.C. Chan  
Professor Michael John Enright

Except Professor Michael John Enright who is a Non-executive Director, the Committee members are the Independent Non-executive Directors of the Company, with the Chairman having the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

## Meeting attendance

The Committee met 3 times during the period under review and the attendance of individual members of the Committee was as follows:

<b>Name of Director</b>	<b>Attendance/Number of Meetings</b>
Mr. Anthony Griffiths	3/3
Mr. Cheng Mo Chi, Moses	2/3
Professor K. C. Chan	2/3
Professor Michael John Enright	2/3

Other attendees of the meetings were the head of the Group's Corporate Evaluation, responsible for internal audit, and, by invitation, the Executive Director and the general manager responsible for the finance and accounting function, together with senior representatives of the external auditor. The Company Secretary acts as the secretary to the Audit Committee.

## Role and duties

Under the terms of reference of the Audit Committee, the principal responsibilities of the Audit Committee include review of the Group's financial statements and the effectiveness of internal control systems. The Audit Committee also oversees the engagement of external auditor and reviews its independence as well as the effectiveness of the audit process. The terms of reference of the Audit Committee are available on the Company's website.

## Work during the period

The work performed by the Audit Committee during the nine months ended 31 December 2006 included reviews of:

- the Group's audited financial statements and other related documents for the year ended 31 March 2006 and the annual results announcement, with a recommendation to the Board for approval;

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- the Group's interim financial statements and other related documents for the six months ended 30 September 2006 and the interim results announcement, with a recommendation to the Board for approval;
  - the internal control systems of the different cement plants of the Group in the Mainland China, including the involvement in the internal audit review of Lafarge Shui On Cement Limited, a joint venture in which the Group owns 45% interest;
  - the distressed asset development projects in China from risk perspectives;
  - the building maintenance and construction activities in Hong Kong and Shanghai respectively;
  - the valuation of major assets, including contract receivables and payables, of the Group at 30 September 2006;
  - the changes in accounting policies and major accounting issues arising from the implementation of the new Hong Kong Financial Reporting Standards;
  - the connected transactions reported by management in each quarter, including the implementation and compliance of the Company's policy on connected transactions;
  - the adequacy of the provision for doubtful debts being made in each quarter;
  - the report and management letter submitted by the external auditor, which summarised matters arising from their audit on the Group's financial statements for the year ended 31 March 2006;
  - the fee proposals of the external auditor for the review of the interim financial statements for the six months ended 30 September 2006 and for the annual audit of the financial statements for the nine-month period ended 31 December 2006;
  - the scope of work of the external auditor and its re-appointment;
  - the annual work programme of the Group's Corporate Evaluation as well as its staffing and resources planning; and
  - the risk management activities of the Group and the corporate controls.

The Committee employed external consultants to review the Group's systems and policies for assessing and taking action to contain the different types of risk in its various operations as part of the Committee's ongoing review of the adequacy of the Group's internal controls. A report was received and, after review by the Committee, it was passed to management for comment and proposed action. The response from management was received by the Committee after 31 December 2006.

All the recommendations of the Committee to management and the Board were accepted and implemented.