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## HISTORY AND REORGANIZATION

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### HISTORY AND DEVELOPMENT

#### Overview

Our Company was incorporated in the Cayman Islands on March 13, 2003 for the purpose of becoming the listed holding company of China Resources Holdings' cement and concrete operations. On March 26, 2003, our Company entered into a conditional agreement with China Resources Holdings to acquire its 100% indirect equity interests in Hongshuihe Cement, Dongguan Cement, Dongguan Concrete and Shenzhen Concrete. As a result, Hongshuihe Cement, Dongguan Cement, Dongguan Concrete and Shenzhen Concrete became part of the then listed group.

Our Company, which held the interest of cement and concrete businesses of China Resources Holdings, was listed on the main board of the Hong Kong Stock Exchange on July 29, 2003. The listing was through an introduction so that no funds were raised by our Company as part of the listing. China Resources Holdings was the controlling shareholder of our Company throughout the period during which it was listed on the Hong Kong Stock Exchange. Our Company has expanded through organic growth and acquisitions, notably Pingnan Cement.

On March 29, 2006, China Resources Holdings, through its non-wholly-owned subsidiary, Smooth Concept, requested the Board to put forward to the then Shareholders a proposal regarding a proposed privatization and withdrawal of listing of our Company. Due to the then conditions in the building materials sector, China Resources Holdings considered that the continued expansion of our Group during difficult trading conditions was best carried out as a private company. The privatization of our Company was implemented by way of a scheme of arrangement under Section 86 of the Cayman Companies Law. Upon completion of the scheme of arrangement, our Company became a wholly-owned subsidiary of Smooth Concept and the listing of the Shares on the Hong Kong Stock Exchange was withdrawn on July 26, 2006.

#### Before the 2003 Listing

Prior to the group reorganization in preparation for our listing on the Hong Kong Stock Exchange in 2003, China Resources Holdings carried out its cement and concrete operations through Hongshuihe Cement, Dongguan Cement, Dongguan Concrete, Shenzhen Concrete and Redland Concrete.

#### *Hongshuihe Cement*

On December 16, 2001, Minmetals Holdings and Guangxi Hongshuihe Cement Joint Stock Company Limited entered into a joint venture agreement for the establishment of Hongshuihe Cement. Under the agreement, Minmetals Holdings and Guangxi Hongshuihe Cement Joint Stock Company Limited agreed to invest RMB140.0 million and RMB60.0 million for a 70.0% and 30.0% interest in Hongshuihe Cement, respectively. The capital contribution of Minmetals Holdings was made by cash whereas the capital contribution of Guangxi Hongshuihe Cement Joint Stock Company Limited was made by way of assets, which comprised principally of cement manufacturing facilities, mining rights, railway rights, sea use rights and land use rights then held by it, valued at RMB90.0 million of which RMB60.0 million was treated as a capital contribution to the joint venture and the remaining balance of RMB30.0 million was treated as consideration for the acquisition of assets and settled by Hongshuihe Cement. In preparation of our listing in 2003, on February 25, 2003, Flavour Glory, a subsidiary of China Resources Holdings, entered into a share transfer agreement with Minmetals Holdings to acquire its 70% equity interest in Hongshuihe Cement for HK\$131.9 million. The consideration was determined based on the net asset value of Hongshuihe Cement and was fully settled through current account. The share transfer was approved by the Guangxi government on March 11, 2003 and was completed on March 20, 2003. Such interest was subsequently acquired by our Company through the acquisition of the entire equity interest in Flavour Glory from China Resources Holdings in the same year.

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On February 12, 2003, Hongshuihe Cement and Profit Pool Holdings Limited, an Independent Third Party, entered into a joint venture agreement for the establishment of Zhanjiang Hongshuihe Cement. Under the joint venture agreement, Hongshuihe Cement and Profit Pool Holdings Limited agreed to invest HK\$2,896,800 and HK\$2,783,200 for a 51% and 49% interest in Zhanjiang Hongshuihe Cement, respectively. Zhanjiang Hongshuihe Cement was formed with the purpose of operating a cement grinding plant in Zhanjiang, Guangdong with an annual production capacity of 0.2 million tons. The cement grinding plant commenced production in April 2003.

### *Dongguan Cement*

Dongguan Cement was established on May 23, 1994. At the time of its establishment, Dongguan Cement had a registered capital of US\$12.9 million and was owned as to 51% by CR Metals & Minerals, 36% by Man Fai Tai Holdings Limited and 13% by Dongguan Metals & Minerals. Both Man Fai Tai Holdings Limited and Dongguan Metals & Minerals were Independent Third Parties, while CR Metals & Minerals was a wholly-owned subsidiary of Minmetals Holdings, a wholly-owned subsidiary of China Resources Holdings. The construction of Dongguan Cement's cement plant began in 1994 and was completed in early 1998. The cement plant commenced operation in May 1998.

The registered capital of Dongguan Cement was subsequently increased in early 1995 to HK\$149.0 million. At the same time as the increase of the registered capital, Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Limited and Dongguan Metals & Minerals agreed to subscribe for a portion of the increased registered capital, resulting in the joint venture then being owned as to 51% by CR Metals & Minerals, 20% by Sumitomo Corporation, 5% by Sumitomo Corporation (Hong Kong) Limited, 16% by Man Fai Tai Holdings Limited and 8% by Dongguan Metals & Minerals. Sumitomo Corporation and Sumitomo Corporation (Hong Kong) Limited are Independent Third Parties.

On October 25, 1995, Sumitomo Corporation and Sumitomo Corporation (Hong Kong) Limited transferred an aggregate of 12.5% interest in Dongguan Cement to UBE Industries, Ltd., a company incorporated in Japan and an Independent Third Party. The share transfer was approved by the Guangdong MOFCOM on October 9, 1995. Upon completion of the above transfer, CR Metals & Minerals, Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Limited, Man Fai Tai Holdings Limited, Dongguan Metals & Minerals and UBE Industries, Ltd. held 51%, 10%, 2.5%, 16%, 8% and 12.5% interests in Dongguan Cement, respectively.

On November 6, 2000, CR Metals & Minerals acquired a 16% interest in Dongguan Cement from Man Fai Tai Holdings Limited for approximately HK\$8.4 million. The share transfer was approved by the Dongguan MOFCOM on September 20, 2000. On March 21, 2002, CR Metals & Minerals acquired a 3% interest in Dongguan Cement from Dongguan Metals & Minerals for approximately HK\$0.9 million. The consideration was determined by reference to the net asset value of Dongguan Cement and the share transfer was approved by the Guangdong MOFCOM on February 4, 2002. As a result of these acquisitions, Dongguan Cement was owned as to 70% by CR Metals & Minerals, 10% by Sumitomo Corporation, 2.5% by Sumitomo Corporation (Hong Kong) Limited, 12.5% by UBE Industries, Ltd., and 5% by Dongguan Metals & Minerals. Pursuant to a conditional agreement dated March 26, 2003 between our Company and China Resources Holdings, CR Metals & Minerals transferred its 70% interest in Dongguan Cement to Clear Bright for approximately HK\$85.2 million. The consideration was determined by reference to the net asset value of Dongguan Cement and was settled through current account. As a result, Dongguan Cement was owned as to 70% by Clear Bright, 10% by Sumitomo Corporation, 2.5% by Sumitomo Corporation (Hong Kong) Limited, 12.5% by UBE Industries, Ltd. and 5% by Dongguan Metals & Minerals. In 2003, our Company acquired the entire equity interest in Clear Bright. As a result, Dongguan Cement became a subsidiary of our Company.

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### *Dongguan Concrete*

On June 24, 2002, Dongguan Concrete, a wholly-owned subsidiary of China Resources Holdings through Minmetals Holdings, was established. Construction of Dongguan Concrete's batching plant commenced in June 2002 and was completed in January 2003. In preparation of our listing in 2003, Full Sincere Limited entered into a share transfer agreement with Minmetals Holdings to acquire its 100% equity interest in Dongguan Concrete for approximately HK\$12 million. The consideration was determined by reference to the net asset value of Dongguan Concrete and was settled through current account. The share transfer was approved by the Dongguan MOFCOM on April 23, 2003 and was completed on May 20, 2003. In 2003, our Company acquired a 100% indirect equity interest in Dongguan Concrete through the acquisition of the entire equity interest in Full Sincere Limited, the then holding company of Dongguan Concrete, from China Resources Holdings.

### *Shenzhen Concrete*

The history of Shenzhen Concrete dates back to January 1982 when CRCEG Shenzhen Enterprises (subsequently renamed 中鐵建工集團深圳實業有限公司 on December 8, 2004), a state-owned enterprise with a registered capital of RMB25.0 million, was formed. The construction of Shenzhen Concrete's batching plant was approved by Shenzhen City Construction Bank (深圳市建設局) on September 30, 1997 and was completed in April 1999.

On March 4, 2002, CRCEG Shenzhen Enterprises and Shenzhen Foreign Trade Centre (subsequently renamed as China Resources (Shenzhen) Co., Ltd. when it became a wholly-owned subsidiary of China Resources Holdings in May 2002) entered into a capital contribution agreement for the establishment of Shenzhen Concrete. Pursuant to the agreement, Shenzhen Foreign Trade Centre, as trustee of Minmetals Holdings, agreed to invest RMB17.5 million in cash for a 70% equity interest in Shenzhen Concrete and CRCEG Shenzhen Enterprises agreed to transfer its assets of RMB7.5 million to Shenzhen Concrete in exchange for a 30% equity interest in Shenzhen Concrete.

On March 24, 2003, Goodsales Investments Limited, a wholly-owned subsidiary of China Resources Holdings, acquired from Minmetals Holdings its 70% equity interest in Shenzhen Concrete. Such equity interest was subsequently acquired by our Company through the acquisition of the entire equity interest in Goodsales Investments Limited from China Resources Holdings in the same year.

### *Redland Concrete*

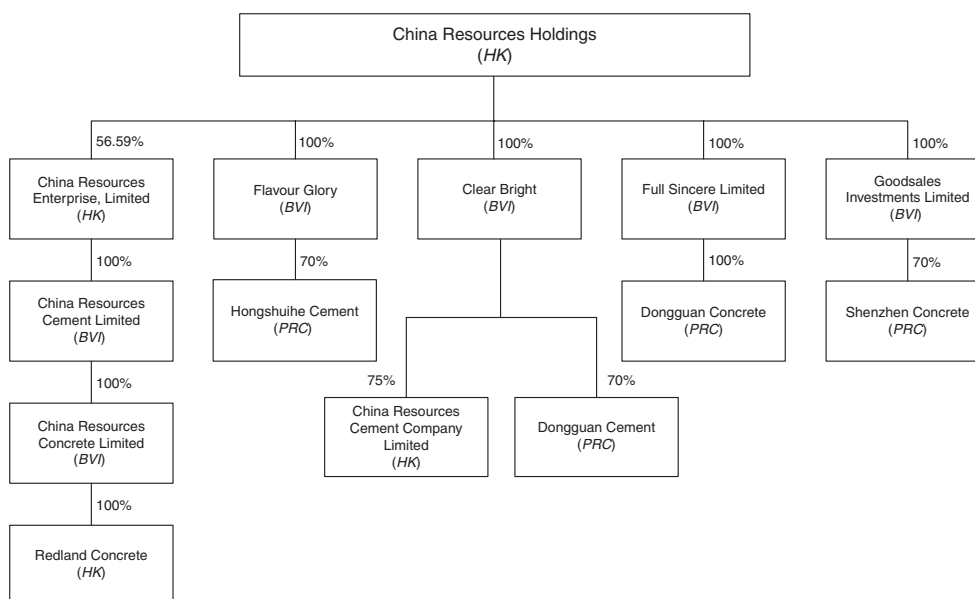
Redland Concrete was established by China Resources Holdings together with an Independent Third Party and other members of the management team.

In August 1997, China Resources Enterprise, Limited acquired an 80% shareholding interest in Redland Concrete from China Resources Holdings for HK\$776 million. In August 1999, Redland Concrete became a wholly-owned subsidiary of China Resources Enterprise, Limited when China Resources Enterprise, Limited acquired the remaining 20% shareholding interest from China Resources Holdings for HK\$168 million.

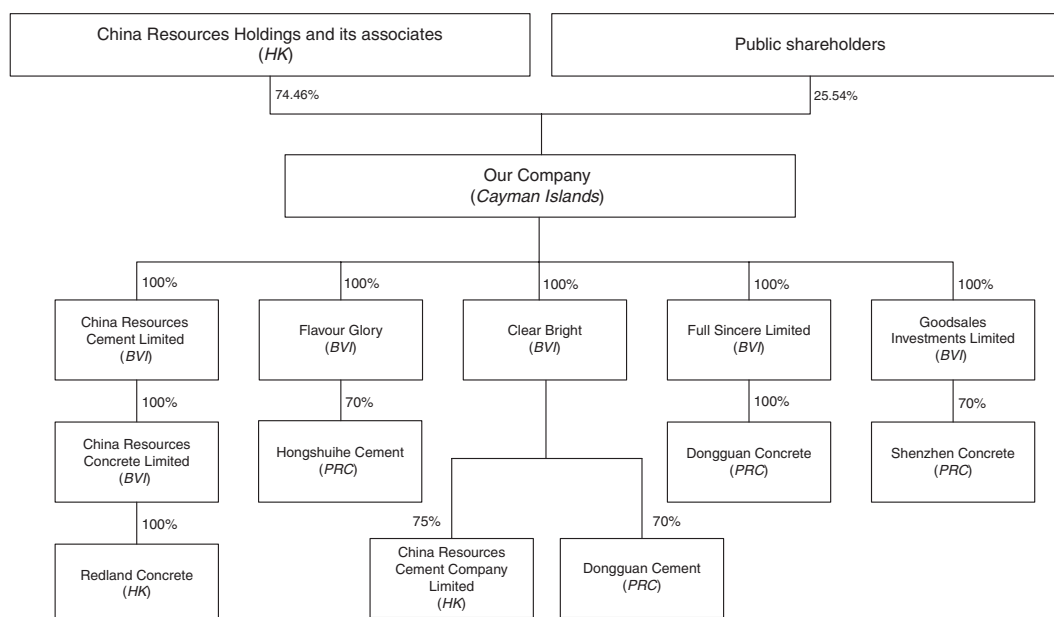
Pursuant to the group reorganization in preparation for our listing in 2003, China Resources Enterprise, Limited transferred the entire issued share capital of the holding company of Redland Concrete to our Company. Upon completion of the transfer, Redland Concrete became a wholly-owned subsidiary of our Company.

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The following chart shows our corporate structure immediately before the corporate reorganization in preparation for the listing of our Shares on the Hong Kong Stock Exchange on July 29, 2003:



The following chart shows our corporate structure immediately after the listing of our Shares on the Hong Kong Stock Exchange on July 29, 2003:



### From 2003 Listing to Privatization

After our listing in 2003, we continued to develop our cement and concrete operations to increase our sales coverage. We also carried out internal restructuring to prepare for the growth of our Group.

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In the cement sector, our operations have developed as follows:

- as part of our internal restructuring, on November 3, 2003, Clear Bright, Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Limited, UBE Industries, Ltd. and Dongguan Metals & Minerals transferred their 70%, 10%, 2.5%, 12.5% and 5% equity interest in Dongguan Cement to China Resources Cement Company Limited for consideration of HK\$104.3 million, HK\$14.9 million, HK\$3.7 million, HK\$18.6 million and HK\$4.8 million, respectively. The consideration was equivalent to the amount contributed by the transferors to the capital of Dongguan Cement and was fully settled by the issue of shares in China Resources Cement Company Limited. The share transfer was approved by Guangdong MOFCOM on September 10, 2003. Upon completion of the share transfer, the entire equity interest of Dongguan Cement was held by China Resources Cement Company Limited;
- we established Guigang Cement on January 12, 2004 to develop our cement operations in Guigang, Guangxi. It commenced production in January 2006 and currently operates two clinker production lines and four cement production lines with a total annual production capacity of 3.1 million tons of clinker and 4.8 million tons of cement;
- we established Nanning Cement on November 9, 2004 to develop our cement operations in Nanning, Guangxi. It commenced production in January 2008 and currently operates two clinker production lines and four cement production lines with a total annual production capacity of 3.1 million tons of clinker and 4.8 million tons of cement;
- on December 16, 2004, Hongshuihe Cement and Profit Pool Holdings Limited entered into a supplemental agreement pursuant to which Hongshuihe Cement and Profit Pool Holdings Limited contributed an additional HK\$12.5 million and HK\$3.8 million to the capital of Zhanjiang Cement, respectively, and their equity interest was changed to 70% and 30%, respectively. The additional capital was used for the construction of a new cement production line;
- we entered into a share swap agreement with Sumitomo Corporation, Sumitomo Corporation (Hong Kong) Limited and UBE Industries, Limited on January 12, 2005 for the acquisition of 25% equity interest in China Resources Dongguan Cement Manufactory Holdings Limited (formerly named China Resources Cement Company Limited) which, as a result became a wholly-owned subsidiary of our Company;
- we acquired a 73.5% equity interest in Pingnan Cement through the acquisition of the entire interest in Tricot Limited from China Resources Holdings for HK\$151.7 million on January 13, 2005. On July 5, 2005, we injected cash of RMB419.2 million into Pingnan Cement, increasing our interest from 73.5% to 90.9%. On August 17, 2005, our subsidiary, CRC Investments, entered into a share transfer agreement to acquire the remaining 9.1% equity interest held by Guangxi Yufeng Group Cement Company Limited in Pingnan Cement for RMB64.6 million. The consideration was determined by reference to the net asset value of Pingnan Cement and was fully settled by cash. The share transfer was approved by the Guangxi government and was completed on September 30, 2005. As a result, Pingnan Cement became a wholly-owned subsidiary of our Company. Pingnan Cement commenced operation in October 2004 and currently operates five clinker production lines and nine cement production lines with a total annual production capacity of 7.8 million tons of clinker and 8.4 million tons of cement; and
- we established Fangchenggang Cement on December 16, 2005 to develop our cement operations in Fangchenggang, Guangxi. It currently operates two cement production lines with a total annual production capacity of 0.3 million tons of cement.

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In the concrete sector, our operations have developed as follows:

- on August 31, 2003, our Company transferred a 100% equity interest in Goodsales Investments Limited, the holding company of Shenzhen Concrete, to China Resources Concrete Limited as part of our internal restructuring;
- to expand our concrete business in Shenzhen, on December 20, 2003, we entered into share transfer agreements for the acquisition of the entire equity interest in Shenzhen China Resources Shengcheng Concrete Limited and Shenzhen China Resources Wenwei Concrete Limited for approximately RMB11.0 million and RMB20 million, respectively. The consideration was determined by reference to the net asset value of Shenzhen China Resources Shengcheng Concrete Limited and Shenzhen China Resources Wenwei Concrete Limited, respectively, and was settled fully by cash. The share transfers in relation to Shenzhen China Resources Shengcheng Concrete Limited and Shenzhen China Resources Wenwei Concrete Limited were approved by Shenzhen government on March 4, 2004 and February 16, 2004, respectively, and were completed on March 25, 2004 and March 10, 2004, respectively;
- we established China Resources Concrete (Nanning) Limited on January 19, 2004 to develop our concrete business in Xingning District, Nanning, Guangxi. It commenced production in September 2004 and has a total annual production capacity of 600,000 cubic meters;
- on July 19, 2004, Goodsales Investments Limited entered into an acquisition agreement with CRCEG Shenzhen Enterprises for the acquisition of a 30% equity interest in Shenzhen Concrete for RMB15.0 million. The consideration was determined by parties' negotiation and was fully settled by cash. The acquisition was approved by the Shenzhen government on January 11, 2006 and was completed on February 17, 2006. As a result, Shenzhen Concrete became an indirect wholly-owned subsidiary of our Company. As Shenzhen Concrete was in direct competition with Shenzhen China Resources Shengcheng Concrete Limited and Shenzhen China Resources Wenwei Concrete Limited, the acquisition of the remaining 30% interest resolved the potential difference in interests between us and the minority interests;
- to expand our concrete operations to Foshan, Guangdong, we entered into share transfer agreements with Foshan Lecong Town Hongjia Building Material Company Limited (佛山樂從鎮宏佳建材有限公司) and Chuanghui International Company Limited (創輝國際有限公司) on September 23, 2004 to acquire the entire equity interest in Foshan China Resources Concrete Shunan Limited for a total consideration of RMB19.8 million. The consideration was determined by parties' negotiation and was fully settled by cash. The transfer was approved by Foshan Shunde District MOFCOM on December 1, 2004 and was completed on December 14, 2004. Our concrete batching plant in Shunde, Foshan has a total annual production capacity of 800,000 cubic meters;
- we established China Resources Concrete (Nanning Xixiangtang) Limited on July 28, 2005 to develop our concrete business in Xixiangtang, Nanning, Guangxi. It commenced production in April 2006 and has a total annual production capacity of 500,000 cubic meters;
- we established China Resources Concrete (Foshan) Company Limited on August 2, 2005 to develop our concrete business in Foshan, Guangdong. It commenced production in February 2006 and has a total annual production capacity of 600,000 cubic meters;
- we established China Resources Concrete (Beihai) Limited on November 30, 2005 to develop our concrete business in Beihai, Guangxi. It commenced production in June 2006 and has a total annual production capacity of 500,000 cubic meters;



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- we established China Resources Concrete (Jiangmen) Limited on June 30, 2006 to develop our concrete business in Daze Town, Jiangmen, Guangdong. It commenced production in January 2007 and has a total annual production capacity of 600,000 cubic meters. A second concrete batching plant commenced production in October 2008 with a total annual production capacity of 600,000 cubic meters.

### Privatization

From 2004 to 2005, the conditions in the building materials sectors in China had changed markedly due principally to measures taken by the PRC Government to curb excessive FAI and the substantial increase in production and distribution costs due principally to sharply increased coal and oil prices. This resulted in pressure on the prices of our products in 2006. Due to the unfavorable operating environment at that time, the average unit selling price of our cement decreased from HK\$237.8 per ton in 2005 to HK\$197.7 per ton in 2006 and the average unit selling price of our concrete decreased from HK\$273.1 per cubic meter in 2005 to HK\$268.4 cubic meters in 2006.

In addition, our Shares were trading at a significant discount to their underlying adjusted net asset value per share. The discounts ranged from 25.9% to 58.0% from March 2004 to March 2006 and the trading volume remained low during the same period. The price performance of our shares had been recording a general downward trend from April 29, 2004 to March 28, 2006, during which the price declined from HK\$2.30 to HK\$1.81.

Our then Directors were concerned about our continuing business development. In 2005, our Company intended to expand our annual production capacity for cement and concrete to 15 million tons and 10 million cubic meters by 2008, respectively. At that time, our management estimated we would require new capital of approximately HK\$2 billion to finance this plan. In circumstances where it was not possible to raise significant funds from the capital markets at the time (except for the issuance of an aggregate principal amount of HK\$800 million of convertible bonds which were substantially purchased by China Resources Holdings in 2005) and in view of keen competition and cost pressures in the construction materials sector, we believed that our continued expansion during difficult trading conditions was best carried out as a private company.

To bring our gearing ratio to a reasonable level which would allow us to return to the debt capital markets and raise additional funding for the expansion of our businesses, China Resources Holdings had to convert the convertible bonds to reduce our level of indebtedness. Such conversion was not feasible because the conversion would raise China Resources Holdings' shareholding in our Company from 70.7% to approximately 85.2%, which would not have been permissible under the Listing Rules by reason of the requirement to maintain a minimum level of public float. As a result, China Resources Holdings, through its wholly-owned subsidiary, Smooth Concept, requested the then Board to put forward to the then Shareholders a proposal regarding the privatization and the withdrawal of our listing on March 29, 2006.

The privatization in 2006 involved a scheme of arrangement, a convertible bond offer and an option lapsing payment as described below.

China Resources Holdings through Smooth Concept requested the then Directors to put forward (i) a proposal to the then Shareholders which, if implemented, would result in us becoming a wholly-owned subsidiary of Smooth Concept; (ii) a proposed offer to acquire all outstanding convertible bonds to the holders of the convertible bonds; and (iii) a proposed option lapsing payment to the holders of options for the difference between the exercise price of the options and the cash alternative under the scheme of arrangement. The acquisition of the convertible bonds and the option lapsing payment were made conditional upon the scheme of arrangement becoming effective.

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### *Scheme of Arrangement*

Under the scheme of arrangement, the then Shareholders could elect one of three options: (i) cash alternative; (ii) share alternative; and (iii) combination alternative:

Pursuant to the cash alternative, the then Shareholders (other than CRH Group) could receive from Smooth Concept, in consideration for the cancellation of their Shares, HK\$2.45 in cash for every Share held by the then Shareholders. This offer price represented:

- a premium of approximately 35.4% over the closing price of the HK\$1.81 per share quoted on the Hong Kong Stock Exchange on March 26, 2006, being the last day on which the Shares were traded before the announcement that was issued jointly by Smooth Concept and our Company in relation to the proposal on March 31, 2006;
- a premium of 65.5% over the average closing price of approximately HK\$1.48 per share based on the daily closing prices as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including March 26, 2006;
- a premium of 57% over the weighted average trade price since January 1, 2005 up to and including March 26, 2006; and
- a discount of approximately 2.8% to the adjusted consolidated net asset value per share and a premium of approximately 3.4% over our adjusted consolidated net tangible asset value.

Pursuant to the share alternative, the then Shareholders could receive one share in Smooth Concept for every Share they held.

Pursuant to the combination alternative, the then Shareholders may elect to receive a combination of the cash alternative and share alternative.

The scheme of arrangement also entailed cancelling all of the Shares when the proposal became effective and the same number of Shares would then be reissued to Smooth Concept.

In consideration for the cancellation of the Shares held by China Resources Holdings, China Resources Holdings was issued the same number of new shares in Smooth Concept, credited as fully paid.

In order to finance the scheme of arrangement, China Resources Holdings subscribed for such number of new shares in Smooth Concept at HK\$2.45 per share to enable the other Shareholders who elected the share alternative to receive an equity interest on an undiluted basis in Smooth Concept in the same proportion as their equity interest in our Company before the implementation of the scheme of arrangement.

Furthermore, China Resources Holdings also subscribed 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.

The listing of the Shares was withdrawn in July 2006 immediately upon the scheme of arrangement becoming effective.

The shares in Smooth Concept offered under the share alternative and the combination alternative ranked *pari passu* with the then issued shares in Smooth Concept carrying equal dividends, capital and voting rights. Shareholders of Smooth Concept enjoyed the benefits of limited liability and their rights and obligations in relation to Smooth Concept were governed by the provision of BVI Business Companies Act of the BVI.



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### *The Convertible Bond Offer*

Smooth Concept offered to acquire all the convertible bonds held by the independent holders of the convertible bonds on the basis of: HK\$4,900 in cash for each HK\$4,000 principal amount of the convertible bonds and so in proportion for any lesser or greater principal amount of the convertible bonds held. According to our independent financial advisor, Somerley, the consideration of the convertible bond offer was determined based on the consideration of HK\$2.45 per share payable under the cash alternative.

### *The Option Lapsing Payment*

As at May 16, 2006, there were 34,440,000 outstanding options with exercise prices being HK\$1.66 and HK\$2.325 per Option. Pursuant to the proposal, the holders of the options had the right to convert all outstanding options and participate in the scheme of arrangement. Smooth Concept also offered to pay the option lapsing payment to all option holders who did not exercise their conversion right.

In connection with the proposal, we formed an independent board committee comprising all of our independent non-executive directors at the time, for the purpose of considering the offer terms of the proposal and to advise the then independent Shareholders and the independent holders of the convertible bonds and the option holders in respect of the proposal, the convertible bond offer, the option lapsing payment and the option holders.

Having considered the various factors and completed the relevant analyses, Somerley was of the view that the performance of our Group since its listing in 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 prices 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. Furthermore, due to the thinly traded volume of the our shares during the 18 months from September 2004 to February 2006, and the substantial and persistent discount of the price of the shares to the net asset value per share of our Group. The unfavorable market sentiments toward the cement industry were reflected in prevailing share prices of the cement companies listed on the Hong Kong Stock Exchange at that time. Although Somerley pointed out that the administrative measures were perceived to be beneficial to large cement manufacturers for the long run, Somerley was of the view that it would be difficult for our Group to raise capital in the then capital market without significant dilution to net asset value per share. Accordingly, it would be more appropriate for our Group to raise capital as a private company. Somerley concluded the terms of the proposal were fair and reasonable and it recommended the independent board committee to advise the independent Shareholders, the independent holders of the convertible bonds, and option holders to accept the terms of the proposal.

As jointly announced by China Resources Holdings, Smooth Concept, and us on June 15, 2006, a court meeting was held to approve the scheme of arrangement. A total of 21 persons representing 71,658,224 Shares (representing 64.2% of all our existing issued capital at that time (other than China Resources Holdings and parties acting in concert with it) were present and voted either in person or by proxy, of which:

- 18 Shareholders representing 71,539,461 votes (representing approximately 99.83% of all the Shares voted) voted in favor of the scheme of arrangement; and
- 3 Shareholders representing 118,763 votes (representing approximately 0.11% of all the Shares voted) voted against the scheme of arrangement.

HKSCC Nominees Limited, who holds a total of 45,342,823 Shares on behalf of beneficial owners of such Shares who voted for and against the scheme of arrangement, was counted as one Shareholder.

We held a separate extraordinary general meeting ("EGM") to vote on the special resolution approving the implementation of the scheme of arrangement. A total of 381,863,461 Shares (representing our entire issued

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share capital, entitled the holders to attend and vote for or against the special resolution at the EGM) were either in person or by proxy, of which 345,370,607 Shares (representing approximately 99.97% of the Shares voted) were voted in favor of the special resolution and 118,673 Shares (representing approximately 0.03% of Shares voted) were voted against the special resolution.

Accordingly, the scheme of arrangement was approved by a majority of not less than three-fourths in value of the Shares voted in person or by proxy at the court and as required under the Takeovers Code. The scheme of arrangement was sanctioned by the High Court of Hong Kong. As a result, the scheme of arrangement was approved by the requisite majority of the then Shareholders at the court meeting and at the EGM, in accordance with the applicable statutory, regulatory and listing rule requirements. Upon the scheme of arrangement becoming effective, all the Shares in issue were cancelled and the same number of Shares was immediately reissued to Smooth Concept. In addition, the then Shareholders made their own independent decisions on the exercise of their rights in relation to the scheme of arrangement. Out of all of the then Shareholders, a total of five Shareholders<sup>(1)</sup> (excluding China Resources Holdings and its associates) representing 117,537 shares opted for shares in Smooth Concept.

The listing of our Shares on the Hong Kong Stock Exchange was withdrawn on July 26, 2006.

### After our Privatization

In the cement sector, our operations have developed as follows:

- on January 20, 2007, CRC Investments entered into a share transfer agreement to acquire from Profit Pool Holdings Limited its 30% equity interest in Zhanjiang Hongshuihe Cement for approximately HK\$7.7 million. The consideration was determined by reference to the net asset value of Zhanjiang Hongshuihe Cement and was fully settled by cash. The transfer was approved by the Guangdong government in May 21, 2007 and was completed on May 28, 2007. On May 19, 2008, CRC Investments acquired from Hongshuihe Cement its 70% equity interest in Zhanjiang Hongshuihe Cement for approximately RMB20.3 million. The consideration was determined with reference to the net asset value of Zhanjiang Hongshuihe Cement and was settled through current account. The acquisition was approved by the Guangdong government on April 9, 2008 and was completed on May 19, 2008. As a result, Zhanjiang Hongshuihe Cement became a wholly-owned subsidiary of CRC Investments;
- we established China Resources Cement (Fengkai) Limited on August 14, 2007 to develop our cement business in Fengkai, Guangdong. It is planning to construct two clinker production lines and two cement production lines with a total annual production capacity of 3.1 million tons of clinker and 3.7 million tons of cement, which are expected to commence production by the first quarter of 2010;
- we established Shangsi Cement on January 15, 2008 to develop our cement business in Shangsi, Guangxi. It is planning to construct one clinker production line and two cement production lines with a total annual production capacity of 1.55 million tons of clinker and 1.9 million tons of cement, which are expected to commence production by the end of 2009;
- on April 29, 2008, CRC Investments injected cash of approximately RMB229.5 million into Pingnan Cement, increasing its interest from 9.1% to 33%. On May 19, 2008, Guangxi Zhuang Autonomous Region Commercial Bureau issued an approval relating to the injection of capital of RMB214.4 million by CRC Investments into Pingnan Cement, increasing its interest from 33% to 46%. The cash injected into Pingnan Cement was used for the construction of new clinker production lines;

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<sup>(1)</sup> HKSCC Nominees Limited and HSBC Nominees (Hong Kong) Limited were counted as two Shareholders.

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- we established Fuchuan Cement on May 9, 2008 to develop our cement business in Fuchuan, Guangxi. It is planning to construct one clinker production line with an annual production capacity of approximately 1.55 million tons and two cement production lines with a total annual production capacity of approximately 1.9 million tons which are expected to commence production by the first quarter of 2010;
- we established China Resources Cement (Guiping) Limited on May 28, 2008 for future expansion of our cement business in Guiping, Guangxi;
- we established China Resources Cement (Wuxuan) Limited on June 26, 2008 for future expansion of our cement business in Wuxuan, Guangxi;
- we established China Resources Cement (Hepu) Limited on July 3, 2008 for future expansion of our cement business in Hepu, Guangxi;
- we established China Resources Cement (Zhangzhou) Limited on July 7, 2008 for future expansion of our cement business in Zhangzhou, Fujian;
- we established China Resources Cement (Tianyang) Limited on July 18, 2008 for future expansion of our cement business in Tianyang, Guangxi; and
- we acquired the entire issued share capital in Tino Investment Limited from Winlink Investment Limited, an Independent Third Party, on April 2, 2008 for RMB96 million, which is determined by reference to an independent valuation. Tino Investment Limited established China Cement Company (Shantou) Limited on March 31, 1994 which in turn established Shantou Cement Co. Ltd for the purpose of constructing one cement grinding plant with a total annual production capacity of 1.8 million tons in Shantou, Guangdong, which is expected to commence production by third quarter of 2009.

In the concrete sector, our operations have developed as follows:

- we established China Resources Concrete (Guangxi) Limited on August 16, 2006 to develop our concrete business in Nanning Economic and Technology Development Zone in Nanning, Guangxi. It commenced production in July 2007 and has a total annual production capacity of 900,000 cubic meters;
- we established China Resources Concrete (Fangchenggang) Limited on August 29, 2006 to develop our concrete business in Fangchenggang, Guangxi. It commenced production in September 2008 and has a total annual production capacity of 500,000 cubic meters;
- we established China Resources Concrete (Dongguan Fengcheng) Company Limited on September 29, 2006 to develop our concrete business in Chashan Town, Dongguan, Guangdong. It commenced production in December 2006 and has a total annual production capacity of 900,000 cubic meters;
- on December 18, 2006, Full Sincere Limited transferred a 100% equity interest in Dongguan Concrete to China Resources Concrete Limited for HK\$20 million as part of our internal restructuring. The consideration was determined by reference to the amount contributed by Full Sincere Limited to the registered capital of Dongguan Concrete and was settled through current account. The share transfer was approved by the Guangdong government on November 29, 2006;
- we established China Resources Concrete (Qinzhou) Limited on April 24, 2007 to develop our concrete business in Qinbei District, Qinzhou, Guangxi. It commenced production in December 2007 and has a total annual production capacity of 600,000 cubic meters;

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## HISTORY AND REORGANIZATION

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- we established China Resources Concrete (Fuzhou Development Zone) Limited on July 27, 2007 to develop our concrete business in Mawei District, Fuzhou, Fujian. It commenced production in December 2007 and has a total annual production capacity of 600,000 cubic meters;
- we established China Resources Concrete (Fuzhou) Limited on September 27, 2007 to develop our concrete business in Zhuqi, Fujian. It is planning to construct a concrete batching plant with a total annual production capacity of 600,000 cubic meters, which is expected to commence production by the last quarter of 2009;
- to expand our concrete business to Heyuan, Guangdong, we entered into a share transfer agreement with Xiao Qinghui, an Independent Third Party, on October 28, 2007 to acquire 100% equity interest in a company which was renamed as Heyuan China Resources Pengyuan Concrete Limited for RMB27.0 million. The consideration was determined by reference to the net asset value of Heyuan China Resources Pengyuan Concrete Limited. Heyuan China Resources Pengyuan Concrete Limited has a concrete batching plant with a total annual production capacity of 600,000 cubic meters in Heyuan, Guangdong;
- we established China Resources Concrete (Jiangmen Tangxia) Limited on December 3, 2007 to develop our concrete business in Tangxia Town, Jiangmen, Guangdong. It commenced production in January 2009 and has a total annual production capacity of 600,000 cubic meters;
- as part of our internal restructuring, on December 28, 2007, our Company transferred a 100% equity interest in Clear Bright to Smooth Concept for HK\$58.6 million, based on the consolidated net asset value of Clear Bright as at November 30, 2007 and such consideration was settled through current accounts of our Company on the date of transfer;
- as part of our internal restructuring, on December 28, 2007, our Company transferred 100% equity interest in Flavour Glory to Smooth Concept for HK\$229.2 million, based on the consolidated net asset value of Flavour Glory as at November 30, 2007 and such consideration was settled through current accounts of our Company on the date of transfer;
- as part of our internal restructuring, on December 28, 2007, our Company transferred 100% indirect equity interest in Redland Precast to Smooth Concept for HK\$1.00, based on the consolidated net asset value of Redland Precast as at November 30, 2007 and such consideration was settled through current accounts of our Company on the date of transfer;
- we established China Resources Concrete (Zhaoqing) Limited on February 3, 2008 to develop our concrete business in Dinghu District, Zhaoqing, Guangdong. It is planning to construct a concrete batching plant with a total annual production capacity of 600,000 cubic meters, which is expected to commence production by the second quarter of 2010;
- we disposed of the entire equity interest in Redland Concrete to China Resources Logic Limited (renamed China Resources Gas Group Limited on November 12, 2008), a subsidiary of China Resources Holdings, on March 5, 2008 for HK\$217.8 million, based on the consolidated net asset value of Redland Concrete as at October 31, 2007 and was settled on March 5, 2008 in cash;
- we established China Resources Concrete (Fujian) Limited on June 10, 2008 for future expansion of our concrete business in Putian, Fujian. It is planning to construct a concrete batching plant with a total annual production capacity of 600,000 cubic meters, which is expected to commence production by the fourth quarter of 2009;

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## HISTORY AND REORGANIZATION

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- we established China Resources Concrete (Qingxiu) Limited on June 18, 2008 to develop our concrete business in Nanning, Guangxi. It commenced production in October 2008 and has a total annual production capacity of 600,000 cubic meters;
- we established China Resources Concrete (Guigang) Limited on July 2, 2008 to develop our concrete business in Guigang, Guangxi. It is planning to construct a concrete batching plant with a total annual production capacity of 600,000 cubic meters, which has commenced in the September of 2009;
- on December 18, 2008, we successfully won the bid at the public auction held by Hainan Hengji Fengye Auction Company Limited (海南恒基豐業拍賣有限公司) in Haikou for the acquisition of an approximate 29.3% equity interest in Hainan Cement (國投海南水泥有限責任公司) held by China Construction Bank, Hainan Branch (中國建設銀行股份有限公司海南省分行) for RMB269 million, which is the auction price of our successful bid in a competitive open auction. The Company calculated the bidding price on the basis of its findings in the due diligence and believes that the consideration represents a fair value of the 29.3% equity interest in Hainan Cement. The acquisition of 29.3% of Hainan Cement remains subject to government approval. Prior to the acquisition, Hainan Cement was held as to 34.14% by Guo Tou, 31.08% by 中國長城資產管理公司 (China Great Wall Asset Management), 29.3% by 中國建設銀行股份有限公司海南分行 (China Construction Bank, Hainan Branch), 1.95% by 中國東方資產管理公司 (China Orient Asset Management), 1.88% by 海南華盈投資控股有限公司 (Hainan Huaying Investment Holding Company) and 1.65% by 海南國際信託投資公司 (Hainan International Trust Company). Upon completion of the acquisition, Hainan Cement is held as to 34.14% by Guo Tou, 31.08% by 中國長城資產管理公司 (China Great Wall Asset Management), 29.3% by CRC Investments, 1.95% by 中國東方資產管理公司 (China Orient Asset Management), 1.88% by 海南華盈投資控股有限公司 (Hainan Huaying Investment Holding Company) and 1.65% by 海南國際信託投資公司 (Hainan International Trust Company). Other than CRC Investments, all the shareholders of Hainan Cement are Independent Third Parties. Pursuant to an agreement for the transfer of equity interest and debtor's right dated June 30, 2009 between Guo Tou (as transferee) and CRC Investments (as transferor), Guo Tou agrees to transfer to CRC Investments (a) its 34.14% equity interest in Hainan Cement, and (b) a debtor's right in relation to a debt of RMB246,985,267.67 owed by Hainan Cement to Guo Tou (the *Receivable*). This transfer will be funded by our internal resources and the consideration amounts to an aggregate of RMB571,831,767.67 of which RMB324,846,500 is the consideration for the transfer of the 34.14% equity interest in Hainan Cement. The Receivable will be transferred to CRC Investments at its face value as at April 30, 2009. Completion of the transfers are conditional upon, among others, approval from the SASAC, MOFCOM. We will adopt the purchase method of accounting under HKFRS issued by the HKICPA to account for the acquisition of 29.3% and 34.14% equity interests in Hainan Cement upon their respective dates of completion of the acquisitions, as appropriate. We currently expect that the acquisition will be completed by the end of 2009, however, the actual timing would depend on the fulfillment of the condition precedents set out in the relevant agreement between the parties, including relevant government approvals. We currently do not have any plan to participate in the management of Hainan Cement, which consist of the board of directors (with eight directors, including one chairman and two vice-chairmen) and a supervisory committee (with six supervisors). If acquisition of the additional interest proceeds to completion and as a result our Company becomes a controlling shareholder of Hainan Cement, Cement Investments will appoint members to the board of directors and supervisory committee of Hainan Cement. Our future plans in relation to our investment will depend on future changes and development in the business, management and shareholding structure of Hainan Cement. We understand that Hainan Cement is principally engaged in the production and sale of cement in the Changjiang Li Autonomous County, Hainan Island. Its operations range from the excavation of limestone to the production, sale and



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## HISTORY AND REORGANIZATION

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distribution of cement, clinker and concrete. Given the location of Hainan and its booming tourism sector, cement prices in this region are relatively higher than that in other PRC cities. It has convenient access to limestone resources and currently operates two clinker production lines with a total annual production capacity of 1.4 million tons and a concrete batching plant with annual production capacity of 600,000 cubic meters. It has commenced the construction of a third clinker production line, which will be funded by bank loans and is expected to commence production in the third quarter of 2009 and will increase the total annual production capacity to 3.3 million tons. Taking into account the size and operation of Hainan Cement, we consider the acquisition will be a starting point for us to expand our business to Hainan and increase our overall market share in Southern China; and

- on December 31, 2008, we acquired the entire equity issued share capital of Rich Team, the holding company of Redland Concrete, from China Resources Gas Group Limited for approximately HK\$293.8 million, which was subsequently adjusted to approximately HK\$304.7 million. This adjustment was based on the profit or loss after taxation attributable to CR Gas, which was Rich Team's shareholder between November 1, 2008 and the date of completion of the acquisition of Rich Team, being December 31, 2008. The consideration was arrived at after negotiations with reference to the unaudited net asset value of Rich Team as at October 31, 2008 and a shareholder's loan due to CR Gas with a face value of approximately HK\$217.8 million. The original consideration was settled by cash on December 31, 2008 and the adjusted consideration was settled in February 2009.
- On August 31, 2009, Smooth Concept injected an additional HK\$1 billion into the Company in exchange for 4 billion Shares issued by the Company. We plan to use the new capital to finance our expansion plans in Fujian and Hainan provinces.

After our privatization, one of the key trends of China's cement industry was the shift from traditional vertical kilns to more advanced rotary kilns using NSP technology. Pursuant to an effort to reduce the pressure of the consumption of coal or other energy, the PRC Government has issued a series of regulations intended to phase out vertical kilns. In the "Notice Regarding Replacement of Obsolete Cement Production Capacity" issued on February 18, 2007, the NDRC noted that in all areas, by the end of 2008, all vertical kilns that use semi-dry and wet processes and other obsolete technologies should be replaced, and that the production quota of vertical kilns should be further reduced. Please see the section headed "Industry Overview — Key Industry Trends in China" in this document for further details. These measures were generally perceived to be beneficial to large cement manufacturers such as our Company with higher standard plants in the long run as the implementation of which could result in releasing market shares that were secured by smaller cement manufacturers. In line with these government policies and the industry trend, we have built new production facilities equipped with NSP technology, installed residual heat recovery generators and stopped using all of our wet process rotary kilns, which are less efficient than dry process rotary kilns, to offset the increase in the purchase price of our coal and electricity.

Furthermore, the PRC Government policies have supported larger and more efficient cement producers and will likely target smaller-cement companies for further consolidation and acquisition. Please see the section headed "Industry Overview — Key Industry Trends in China" in this document for further details. In December 2006, we were named as one of the 60 enterprises supported by the PRC Government pursuant to the *Notice of Publishing the List of Large (Group) for Cement Industry Structure Regulation Emphatically Supported by the State* which was issued by the NDRC, the Ministry of Land and Resources and the PBOC. In addition, since our privatization, the number of our competitors has further reduced due to intensifying industry consolidation trend promoted by the government regulations.



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On September 16, 2008, the PBOC reduced the interest rate on borrowing and lending by 0.27% and reduced the Renminbi reserve rate by 1%. This is the first time in 6 years that the PBOC has reduced the interest rate. According to the PBOC, such actions aimed to solidify the PRC State Council's plan to resolve the current issues in the PRC economy, stabilize the national economy and keep the economic growth of China at a sustainable rate. As a result, we believe the PRC Government's attitude towards curbing FAI has somewhat shifted and the decrease in the interest rate and reserve rate is likely to have a positive effect on the general economy and construction industry in China. The PBOC further reduced the interest rate on borrowing and lending several times since October 2008.

More importantly, our financial performance and the business operating environment improved significantly since our privatization in 2006. Our turnover from continuing operations increased from HK\$2,111.7 million in 2006 to HK\$3,743.2 million in 2007 and increased to HK\$5,781.3 million in 2008. For the six months ended June 30, 2009, our turnover from continuing operations amount to HK\$2,738.7 million. Our turnover from continuing operations grew 77.3% from 2006 to 2007, 54.4% from 2007 to 2008 and 5.2% for the first six months ended June 30, 2009 as compared to June 30, 2008.

Finally, our Directors believe that the continuing growth of the PRC economy will have a positive impact on our financial position and results of the operation. The GDP of China was RMB21,192.4 billion, RMB25,730.6 billion and RMB30,670.0 billion for the years ended 2006, 2007 and 2008, respectively. For the first six months of 2009, China's GDP was RMB13,986.2 billion, an increase of 7.1% over the same period of 2008. For the years ended 2006, 2007 and 2008, the FAI in China was RMB10,999.8 billion, RMB13,732.4 billion and RMB17,229.1 billion, respectively. For the first six months of 2009, China's FAI grew by 33.5%, compared to the same period in 2008. For the years ended 2006, 2007 and 2008, the FAI of Guangdong and Guangxi grew at 16.7%, 18.0% and 16.5% and 27.0%, 32.2% and 27.2%, respectively. For the first six months of 2009, the FAI of Guangdong and Guangxi grew by 15.5% and 57.7% over the same period in 2008. The increase in the size of the cement industry in these regions also shows the industry believes that the growing demand warranted expansion. The cement industry in Guangxi increased cement production volume from 36.6 million tons in 2006 to 43.5 million tons in 2007 and to 51.9 million tons in 2008. The Guangdong cement industry increased cement production volume from 88.5 million tons in 2006 to 97.8 million tons in 2007.

Production volume in Guangdong slightly decreased to 94.8 million tons in 2008 as a result of the increase in imports of cement into Guangdong from Guangxi. For the first six months of 2009, the Guangxi cement industry produced 22.0 million tons of cement. For the first six months of 2009, the Guangdong cement industry produced 44.3 million tons of cement. According to the China Cement Industry 2008 Report, the demand for cement has continued to increase from 2007 to 2008 and China is among the countries that will have a high demand for cement in the next few years. As a result, we believe the strong economic growth in China and the regions where we operate will continue to create a number of opportunities for new construction projects which in turn will create greater demand for our products. For example, the PRC Government has become increasingly focused on developing infrastructure since the time of our privatization. According to the Eleventh Five Year Plan, the PRC Government has explicitly expressed its intention to increase expenditures on major infrastructures and developing projects between 2006 to 2010 to cope with the economic growth. Since a significant portion of our turnover is derived from infrastructure and major projects, the expansion of this sector has benefited, and will likely continue to benefit us due to the increase in the demand of cement and concrete for these projects. While the financial crisis continues to contribute to increased volatility and diminished expectations for the global economy and the financial market going forward, the International Monetary Fund's estimate of China's economic growth in 2009 was 7.5% (as at July 2009), which was much higher than its estimate of the contraction of the global economy by 1.4%. We believe the growth in our business, our financial performance in the past few years, the estimated potential growth of the PRC economy, our use of environmentally production technology and the PRC Government's effort to move the economic growth on to a more socially and environmentally sustainable path in the long run present favorable conditions for us to raise

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## HISTORY AND REORGANIZATION

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equity capital from capital markets to increase our operation scale to meet the increase in demand for our products.

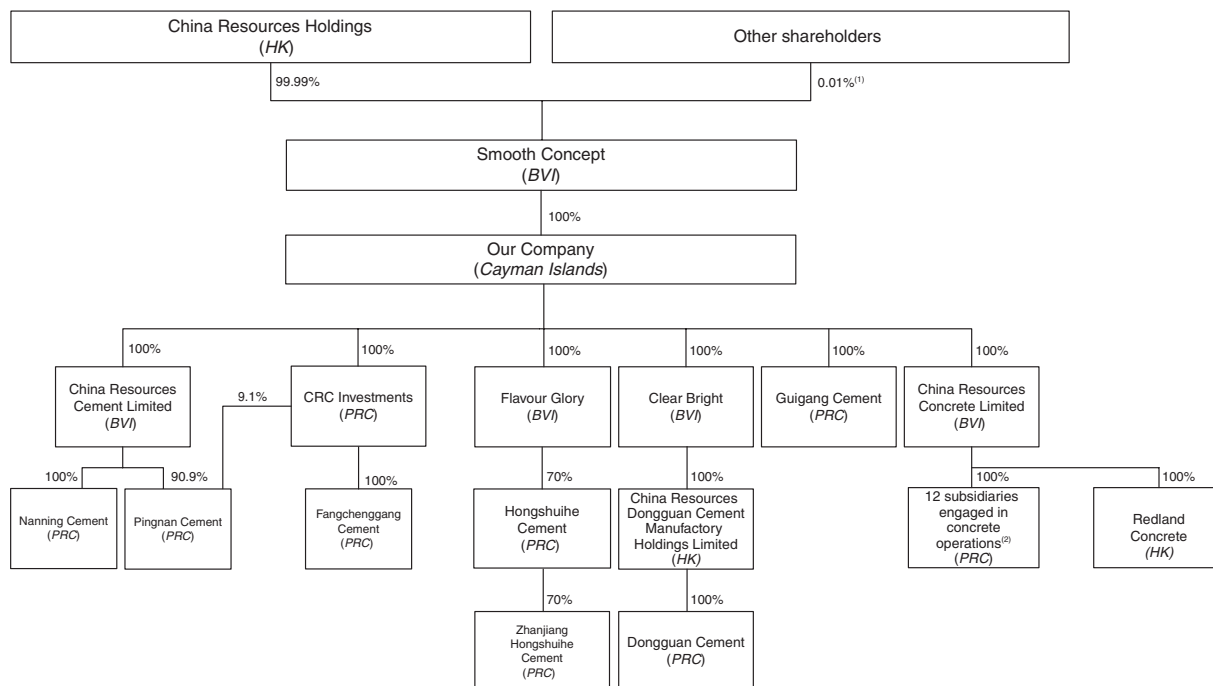
Our Company did not raise any new capital by way of our previous listing by introduction in 2003.

We did not prepare a valuation analysis at the time of our privatization. However, according to our 2005 annual report, our net asset value as at December 31, 2005 was approximately HK\$1,269.6 million or HK\$2.52 per share\*. As at December 31, 2008, our net asset value was HK\$4,366.6 million, or HK\$5.59 per share. The increase in our net asset value was primarily due to the conversion of our convertible bonds after the privatization, the increase of equity attributable to the Shareholders of our Company as a result of the increase in the retained earnings and the capitalization of a loan of HK\$866.0 million from Smooth Concept on June 30, 2008.

(\* represents audited consolidated net asset value per share on a fully diluted basis.)

## HISTORY AND REORGANIZATION

The following chart shows our corporate structure immediately after our privatization;



Notes:

(1) The 0.01% interest in Smooth Concept is held by the following shareholders, all of which are Independent Third Parties:

<u>Full Name</u>	<u>% of shareholding</u>
HKSCC Nominees Limited	0.0077%
HSBC Nominees (Hong Kong) Limited	0.0063%
Horsford Nominees Limited	0.0004%
Pang Ming	0.0003%
Zhang Hong	0.0001%
Lau Chi Wing	0.00001%
Cheung Kwan Tung & Choy Pui Lan	0.0000006%
Ho Kam Tim	0.0000001%

(2) These comprise China Resources Concrete (Beihai) Limited, China Resources Concrete (Fangchenggang) Limited, China Resources Concrete (Foshan) Company Limited, Shenzhen Concrete, Foshan China Resources Shun'an Concrete Limited, Shenzhen China Resources Shengcheng Concrete Limited, Shenzhen China Resources Wenwei Concrete Limited, China Resources Concrete (Dongguan Fengcheng) Limited, China Resources Concrete (Guangxi) Limited, China Resources Concrete (Jiangmen) Limited, China Resources Concrete (Nanning Xixiangtang) Limited, China Resources Dongguan Concrete Company Limited.

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## HISTORY AND REORGANIZATION

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### REORGANIZATION

Our Group underwent the Reorganization which included the following:

- Smooth Concept transferred to our Company its 100% equity interest in Top Dragon Resources Limited, Smartec Resources Limited, Rossa Resources Limited, Mingo Resources Limited, Kenetic Resources Limited, Hentex Resources Limited, Ango Resources Limited, Hongda Resources Limited, Capital Rich Resources Limited and Eurolink Resources Limited, which hold certain project companies that we set up for developing our cement operations;
- Smooth Concept transferred to China Resources Cement Limited its 100% equity interest in Flavour Glory and Clear Bright, which are the holding companies of Hongshuihe Cement and China Resources Dongguan Cement Manufactory Holdings Limited, respectively;
- China Resources Cement Limited transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in China Resources Cement (Fengkai) Limited, Shangsi Cement and Nanning Cement for HK\$50 million, HK\$1 and US\$55.2 million, respectively. The consideration was determined based on the amount contributed by the transferor to the registered capital of the relevant company and was all settled through current account. The share transfer relating to China Resources Cement (Fengkai) Limited was approved by the Guangdong government on July 2, 2008 and was completed on July 14, 2008. The share transfers relating to Shangsi Cement and Nanning Cement were approved by the Guangxi government on July 22, 2008 and July 15, 2008, respectively, and were completed on August 1, 2008 and December 31, 2008, respectively;
- our Company transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in CRC Investments and Guigang Cement for US\$30 million and US\$55.1 million, respectively. The consideration was determined based on the amount contributed by the transferor to the registered capital of CRC Investments and Guigang Cement and was both settled through current accounts. The share transfer in relation to CRC Investments was approved by MOFCOM on November 19, 2008 and by the Shenzhen Government on December 3, 2008. The share transfer in relation to Guigang Cement was approved by the Guangxi government on October 30, 2008 and completed on November 3, 2008;
- Tricot Limited transferred to China Resources Cement Holdings (Hong Kong) Limited its approximate 53.59% interest in Pingnan Cement for RMB579.2 million based on the amount contributed by the transferor to the registered capital of Pingnan Cement and settled through current accounts. The share transfer was approved by the Guangxi government on September 8, 2008;
- China Resources Concrete Limited transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in China Resources Concrete (Dongguan Fengcheng) Company Limited, Dongguan Concrete, China Resources Concrete (Jiangmen) Limited, China Resources Concrete (Nanning Xixiangtang) Limited and China Resources Concrete (Guangxi) Limited each for HK\$20 million except for China Resources Concrete (Guangxi) Limited for HK\$34 million. All such consideration was determined based on the amount contributed by the transferor to the registered capital of the relevant company and was all settled through current accounts. The share transfers relating to China Resources Concrete (Dongguan Fengcheng) Company Limited, Dongguan Concrete and China Resources Concrete (Jiangmen) Limited were approved by the Guangdong government on August 27, 2008, September 10, 2008 and July 2, 2008, respectively, and were completed on September 12, 2008, October 16, 2008 and July 10, 2008, respectively. The share transfers relating to China Resources Concrete (Nanning Xixiangtang) Limited and China Resources

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## HISTORY AND REORGANIZATION

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Concrete (Guangxi) Limited were approved by the Nanning government on August 5, 2008 and July 16, 2008, respectively and were completed on August 12, 2008 and July 22, 2008, respectively; and

- our Company transferred to China Resources Cement Holdings (Hong Kong) Limited on July 23, 2008 its 100% equity interest in China Resources Concrete (Nanning) Limited for HK\$20 million based on the amount contributed by the transferor to the registered capital of China Resources Concrete (Nanning) Limited and settled through current accounts. The share transfer was approved by the Nanning government on July 17, 2008 and was completed on July 23, 2008;
- China Resources Cement Holdings (Hong Kong) Limited transferred to CRC Investments its 100% equity interest in Shangsi Cement, Nanning Cement, Guigang Cement, China Resources Concrete (Jiangmen) Limited, China Resources Concrete (Nanning Xixiangtang) Limited, China Resources Concrete (Nanning) Limited and China Resources Concrete (Guangxi) Limited for RMB220.4 million, US\$55.2 million, US\$55.1 million, HK\$20 million, HK\$20 million, HK\$20 million and HK\$34 million, respectively based on the amount contributed by the transferor to the registered capital of the relevant company, and the transfers were all settled through current accounts. The share transfers relating to Shangsi Cement, Nanning Cement and Guigang Cement were approved by the Guangxi government on April 16, 2009, April 3, 2009 and April 1, 2009, respectively. The share transfers relating to China Resources Concrete (Nanning Xixiangtang) Limited, China Resources Concrete (Nanning) Limited and China Resources Concrete (Guangxi) Limited were approved by the Nanning government on March 30, 2009, April 3, 2009 and April 1, 2009, respectively. The share transfer relating to China Resources Concrete (Jiangmen) Limited was approved by the Guangdong government on April 2, 2009. The payment of the equity transfer price has not been made by CRC Investments to China Resources Cement Holdings (Hong Kong) Limited. It is expected that part of the equity transfer price (of approximately US\$150 million) will be set off by CRC Investment's increase in registered capital (from US\$30 million to US\$200 million) which needs to be contributed by China Resources Cement Holdings (Hong Kong) Limited;
- China Cement Company (Shantou) Limited transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in Shantou Cement Co. Ltd for RMB210 million, based on the amount contributed by the transferor to the registered capital of Shantou Cement Co. Ltd, and the transfer was settled through current accounts. The share transfer relating to Shantou Cement Co. Ltd was approved by the Shantou government on June 3, 2009;
- China Resources Dongguan Cement Manufactory Holdings Limited transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in Dongguan Cement for HK\$199 million, based on the amount contributed by the transferor to the registered capital of Dongguan Cement, and the transfer was settled through current accounts. The share transfer relating to Dongguan Cement was approved by the Guangdong government on June 22, 2009;
- Golden Rocket Investment Limited, a wholly-owned subsidiary of our Company, transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in Fuchuan Cement for HK\$7.5 million, based on the amount contributed by the transferor to the registered capital of Fuchuan Cement, and the transfer was settled through current accounts;
- China Resources Concrete Limited transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in Heyuan China Resources Pengyuan Concrete Limited, Shenzhen China Resources Wenwei Concrete Limited, Shenzhen China Resources Shengcheng Concrete,

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## HISTORY AND REORGANIZATION

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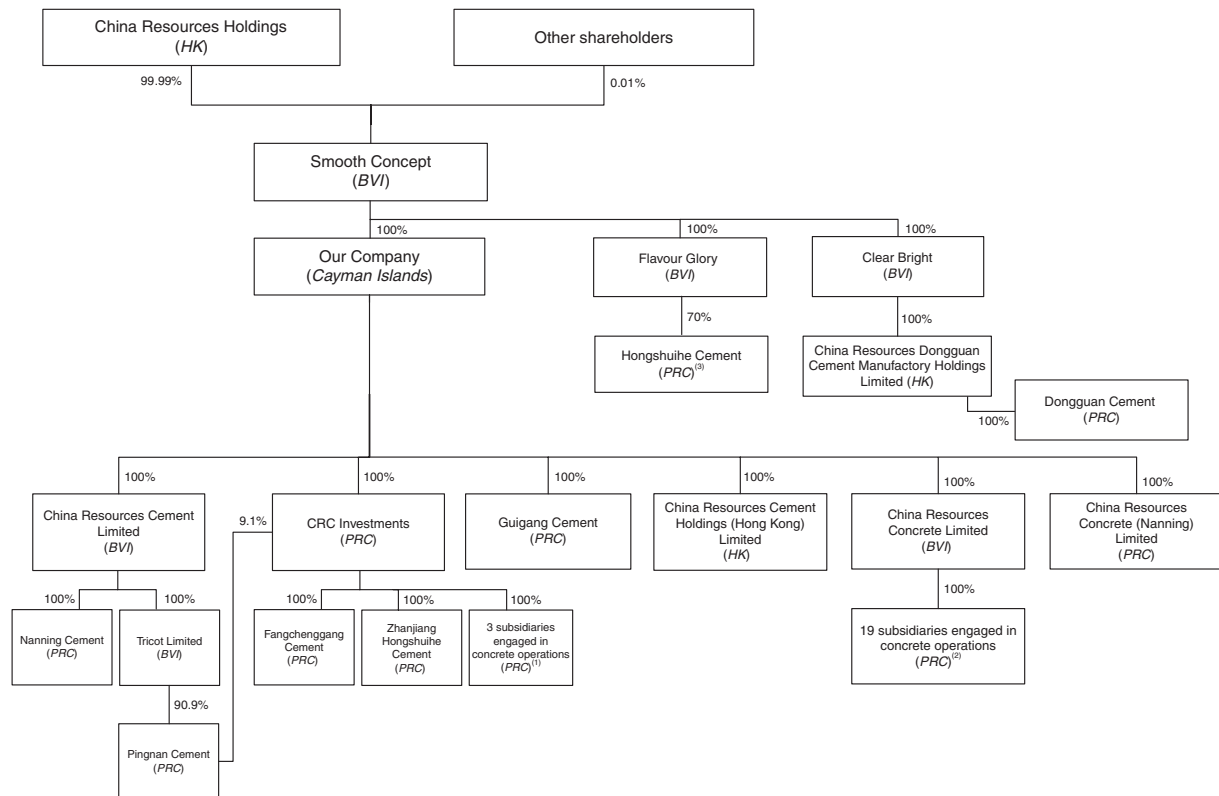
China Resources (Zhaoqing) Limited, China Resources Concrete (Jiangmen Tangxia) Limited, China Resources Concrete (Foshan) Co., Ltd, Foshan China Resources Shunan Concrete Limited, China Resources Concrete (Zhanjiang) Limited, China Resources Concrete (Liuzhou) Limited, China Resources Concrete (Fangchenggang), China Resources Concrete (Qinzhou) Limited, China Resources (Beihai) Limited, and China Resources (Fuzhou Development Zone) Limited for RMB22 million, RMB20 million, RMB20 million, HK\$20 million, HK\$20 million, HK\$20 million, US\$2.4 million, HK\$20 million, HK\$20 million, HK\$12.5 million, HK\$20 million, HK\$20 million and HK\$20 million, respectively, and will transfer to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in China Resources Concrete (Fuzhou) Limited for HK\$21 million. The consideration for these transfers were based on the amount contributed by the transferor to the registered capital of the relevant company, and the transfers were all settled through current accounts. The share transfers relating to Heyuan China Resources Pengyuan Concrete Limited, China Resources (Zhaoqing) Limited, China Resources Concrete (Jiangmen Tangxia) Limited, China Resources Concrete (Foshan) Co., Ltd., Foshan China Resources Shunan Concrete Limited and China Resources Concrete (Zhanjiang) Limited were approved by the Guangdong government on June 2, 2009, June 1, 2009, May 13, 2009, June 4, 2009, June 21, 2009 and June 4, 2009, respectively. The share transfer relating to China Resources (Beihai) Limited was approved by the Guangxi government on May 19, 2009. The share transfer relating to China Resources Concrete (Liuzhou) Limited was approved by the Liuzhou government on May 20, 2009. The share transfer relating to China Resources Concrete (Fangchenggang) Limited was approved by the Fangchenggang government on May 18, 2009. The share transfer relating to China Resources Concrete (Qinzhou) Limited was approved by the Qinzhou government on May 18, 2009. The share transfers relating to China Resources Concrete (Fuzhou) Limited and China Resources (Fuzhou Development Zone) Limited were approved by the Fuzhou government on June 18, 2009 and June 9, 2009, respectively. The share transfers relating to Shenzhen China Resources Wenwei Concrete Limited and Shenzhen China Resources Shengcheng Concrete were both approved by the Shenzhen government on June 12, 2009.

- Goodsales Investments Limited, a wholly-owned subsidiary of China Resources Concrete Limited, transferred to China Resources Cement Holdings (Hong Kong) Limited its 100% equity interest in Shenzhen Concrete for RMB25 million, based on the amount contributed by the transferor to the registered capital of Shenzhen Concrete, and the transfer was settled through current accounts. The share transfer relating to Shenzhen Concrete was approved by the Shenzhen Government on July 16, 2009.



## HISTORY AND REORGANIZATION

The following chart shows our corporate structure immediately before the Reorganization:



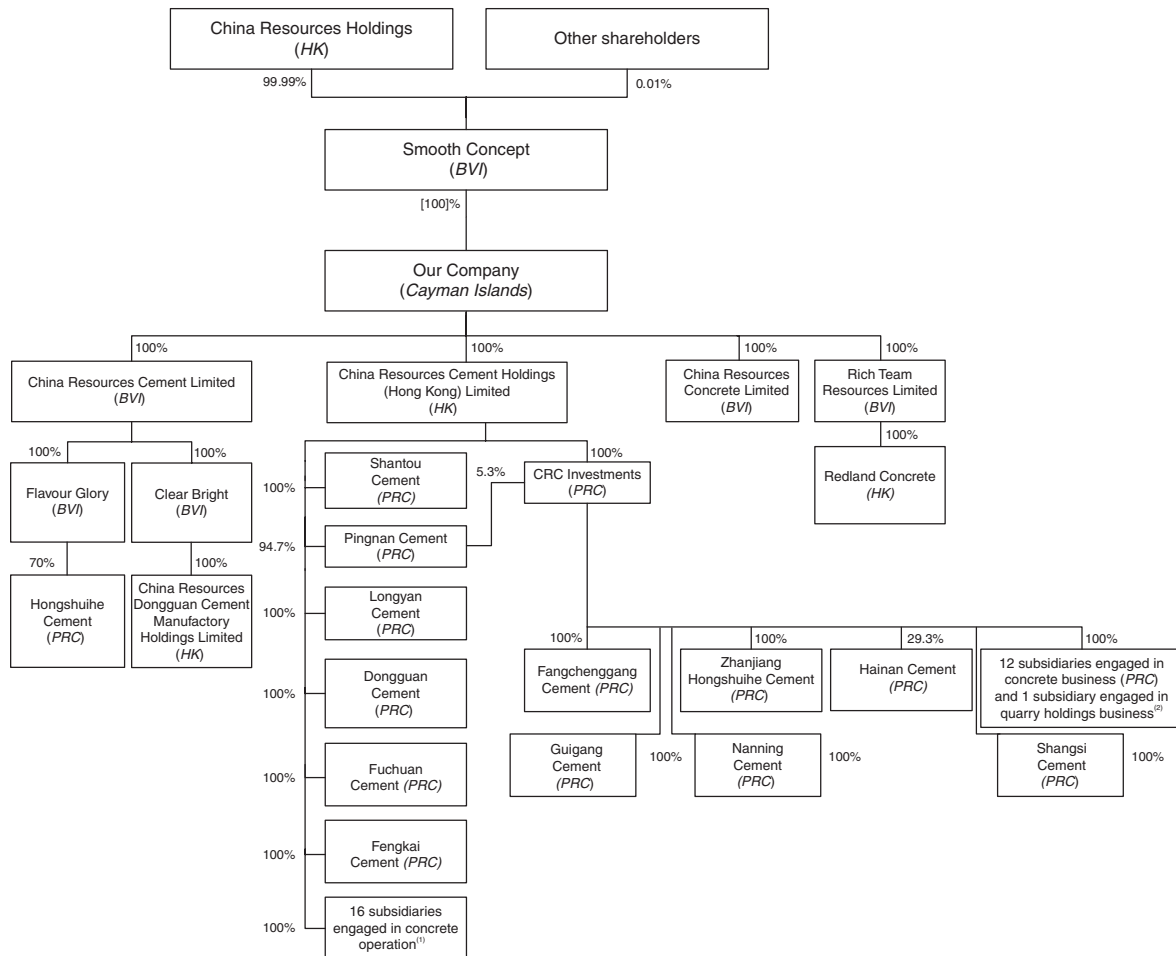
<sup>(1)</sup> These comprise China Resources Concrete (Guigang) Limited, China Resources Concrete (Nanning Qingxiu) Limited, China Resources Concrete (Fujian) Limited

<sup>(2)</sup> These comprise China Resources Concrete (Beihai) Limited, China Resources Concrete (Fangchenggang) Limited, China Resources Concrete (Foshan) Company Limited, China Resources Concrete (Fuzhou) Limited, China Resources Concrete (Fuzhou Development Zone) Limited, China Resources Concrete (Jiangmen Tangxia) Limited, China Resources Concrete (Liuzhou) Limited, China Resources Concrete (Qinzhou) Limited, Shenzhen Concrete, China Resources Concrete (Zhaoqing) Limited, Foshan China Resources Shun'an Concrete Limited, Heyuan China Resources Pengyuan Concrete Limited, Shenzhen China Resources Shengcheng Concrete Limited, Shenzhen China Resources Wenwei Concrete Limited, China Resources Concrete (Dongguan Fengcheng) Limited, China Resources Concrete (Guangxi) Limited, China Resources Concrete (Jiangmen) Limited, China Resources Concrete (Nanning Xixiangtang) Limited, China Resources Dongguan Concrete Company Limited.

<sup>(3)</sup> The remaining 30% interest in Hongshuihe Cement is held by Guangxi Hongshuihe Cement Joint Stock Company Limited, an indirect approximate 72.14%-owned subsidiary of our Company.

## HISTORY AND REORGANIZATION

The following chart shows our corporate structure as of the Latest Practicable Date:



<sup>(1)</sup> These comprise China Resources Concrete (Beihai) Limited, China Resources Concrete (Beihai Tieshangang) Limited, China Resources Concrete (Fangchenggang) Limited, China Resources Concrete (Foshan) Company Limited, China Resources Concrete (Fuzhou Development Zone) Limited, China Resources Concrete (Jiangmen Tangxia) Limited, China Resources Concrete (Liuzhou) Limited, China Resources Concrete (Qinzhou) Limited, China Resources Concrete (Zhaoqing) Limited, Heyuan China Resources Pengyuan Concrete Limited, Shenzhen China Resources Shengcheng Concrete Limited, Shenzhen China Resources Wenwei Concrete Limited, China Resources Concrete (Zhanjiang) Limited and China Resources Concrete (Fuzhou) Limited, Shenzhen Concrete and Foshan China Resources Shun'an Company Limited.

<sup>(2)</sup> These comprise China Resources Concrete (Dongguan Fengcheng) Limited, China Resources Concrete (Guangxi) Limited, China Resources Concrete (Jiangmen) Limited, China Resources Concrete (Nanning Xixiangtang) Limited, China Resources Dongguan Concrete Company Limited, China Resources Concrete (Nanning) Limited, China Resources Concrete (Guigang) Limited, China Resources Concrete (Nanning Qingxiu) Limited, China Resources Concrete (Fujian) Limited, China Resources Concrete (Fengkai) Limited, China Resources Concrete (Gaoyao) Limited, China Resources Concrete (Laibin) Limited, China Resources Fengkai Quarry Limited.