



德勤·關黃陳方會計師行
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[Date]

The Directors
China Resources Cement Holdings Limited
[●]

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Resources Cement Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2008 and six months ended June 30, 2009 (the "Track Record Period").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands on March 13, 2003.

On July 29, 2003, the Company's entire shares in issue of 362,807,461 shares of HK\$0.10 each were listed on the Stock Exchange by way of introduction. The details are set out in the prospectus issued by the Company on June 26, 2003.

On March 29, 2006, China Resources (Holdings) Company Limited ("CRH"), through its wholly-owned subsidiary, Smooth Concept Investments Limited ("Smooth Concept"), put forward to the shareholders of the Company a scheme of arrangement proposing the privatization and withdrawal of listing of the Company (the "Scheme of Arrangement"). Details of the Scheme of Arrangement are set out in note 40 to Section A below. The listing of the shares of the Company on the Stock Exchange was withdrawn on July 26, 2006.

Throughout the Track Record Period and as at the date of this report, the Company has interests in the following:

Subsidiaries	Place of incorporation/ establishment/ registration	Date of incorporation/ establishment/ registration	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group					Principal activities
				At December 31,			At	At	
				2006	2007	2008	June 30, 2009	date of report	
Ango Resources Limited	British Virgin Islands	February 18, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(京富資源有限公司) Capital Rich Resources Limited	British Virgin Islands	February 21, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(中國水泥(汕頭)有限公司) China Cement Company (Shantou) Limited	Hong Kong ("HK")	December 2, 1993	HK\$2	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(防城港)有限公司) China Resources Cement (Fangchenggang) Limited ("Fangchenggang Cement") ⁽²⁾	Chinese Mainland	December 16, 2005	HK\$15,000,000	100%	100%	100%	100%	100%	Manufacture and sale of cement

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ACCOUNTANTS' REPORT OF THE COMPANY

Subsidiaries	Place of incorporation/ establishment/ registration	Date of incorporation/ establishment/ registration	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group					Principal activities
				At December 31,		At June 30,		At date of report	
				2006	2007	2008	2009		
(華潤水泥(封開)控股有限公司) China Resources Cement (Fengkai) Holdings Limited	HK	February 4, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(封開)有限公司) China Resources Cement (Fengkai) Limited ("Fengkai Cement") ⁽²⁾	Chinese Mainland	August 14, 2007	US\$34,435,600	N/A	100%	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(富川)有限公司) China Resources Cement (Fuchuan) Limited ("Fuchuan Cement") ⁽²⁾	Chinese Mainland	May 9, 2008	HK\$50,000,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(福州)控股有限公司) China Resources Cement (Fuzhou) Holdings Limited	HK	February 4, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(福州)有限公司) China Resources Cement (Fuzhou) Limited (formerly Fuzhou Development Zone Shun Li Building Materials Company Limited (福州開發區順利建材有限公司)) ("Fuzhou Cement") ⁽²⁾	Chinese Mainland	October 24, 2001	RMB14,000,000	N/A	100% (Note 1)	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(貴港)有限公司) China Resources Cement (Guigang) Limited ("Guigang Cement") ⁽²⁾	Chinese Mainland	January 12, 2004	US\$55,104,000	100%	100%	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(桂平)控股有限公司) China Resources Cement (Guiping) Holdings Limited	HK	February 13, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(桂平)有限公司) China Resources Cement (Guiping) Limited ("Guiping Cement") ⁽²⁾	Chinese Mainland	May 26, 2008	HK\$16,000,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(合浦)控股有限公司) China Resources Cement (Hepu) Holdings Limited	HK	April 3, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(合浦)有限公司) China Resources Cement (Hepu) Limited ("Hepu Cement") ⁽²⁾	Chinese Mainland	July 3, 2008	HK\$50,000,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(紅水河)控股有限公司) China Resources Cement (Hongshuihe) Holdings Limited	HK	February 13, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(陸川)控股有限公司) China Resources Cement (Luchuan) Holdings Limited	HK	April 3, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(陸川)有限公司) China Resources Cement (Luchuan) Limited ("Luchuan Cement") ⁽²⁾	Chinese Mainland	July 28, 2008	RMB243,980,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(龍岩)有限公司) China Resources Cement (Longyan) Limited ("Longyan Cement") ⁽²⁾	Chinese Mainland	March 30, 2009	US\$33,280,000	N/A	N/A	N/A	100%	100%	Manufacture and sale of cement
(華潤水泥(南寧)有限公司) China Resources Cement (Nanning) Limited ("Nanning Cement") ⁽²⁾	Chinese Mainland	November 9, 2004	US\$55,200,000	100%	100%	100%	100%	100%	Manufacture and sale of cement

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Subsidiaries	Place of incorporation/ establishment/ registration	Date of incorporation/ establishment/ registration	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group					Principal activities
				At December 31,		At June 30, 2009	At date of report		
				2006	2007			2008	
(華潤水泥(平南)有限公司) China Resources Cement (Pingnan) Limited (formerly Guangxi Pingnan China Resources Yufeng Cement Company Limited) ("Pingnan Cement") ⁽²⁾	Chinese Mainland	November 4, 2003	RMB1,080,780,000	100%	100%	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(上思)控股有限公司) China Resources Cement (Shangsi) Holdings Limited	HK	February 4, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(上思)有限公司) China Resources Cement (Shangsi) Limited ("Shangsi Cement") ⁽²⁾	Chinese Mainland	January 15, 2008	RMB220,440,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(田陽)控股有限公司) China Resources Cement (Tianyang) Holdings Limited	HK	April 3, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(田陽)有限公司) China Resources Cement (Tianyang) Limited ("Tianyang Cement") ⁽²⁾	Chinese Mainland	July 18, 2008	HK\$254,660,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(武宣)控股有限公司) China Resources Cement (Wuxuan) Holdings Limited	HK	April 2, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(華潤水泥(武宣)有限公司) China Resources Cement (Wuxuan) Limited ("Wuxuan Cement") ⁽²⁾	Chinese Mainland	June 26, 2008	HK\$50,000,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥(漳州)有限公司) China Resources Cement (Zhangzhou) Limited ("Zhangzhou Cement") ⁽²⁾	Chinese Mainland	July 7, 2008	US\$2,100,000	N/A	N/A	100%	100%	100%	Manufacture and sale of cement
(華潤水泥財務有限公司) China Resources Cement Finance Limited ⁽¹⁾	British Virgin Islands	November 5, 2004	US\$1	100%	100%	100%	100%	100%	Group financing
(華潤水泥控股(香港)有限公司) China Resources Cement Holdings (Hong Kong) Limited	HK	February 4, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investments in subsidiaries
(華潤水泥投資有限公司) China Resources Cement Investments Limited ("Cement Investments") ⁽²⁾	Chinese Mainland	July 18, 2004	US\$30,000,000	100%	100%	100%	100%	100%	Holding investments in subsidiaries and sale of cement
(華潤水泥有限公司) China Resources Cement Limited ("CR Cement") ⁽¹⁾	British Virgin Islands	May 8, 1997	US\$2	100%	100%	100%	100%	100%	Holding investments in subsidiaries
(華潤混凝土(北海)有限公司) China Resources Concrete (Beihai) Limited ("Beihai Concrete") ⁽²⁾	Chinese Mainland	November 30, 2005	HK\$20,000,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete
(東莞華潤豐誠混凝土有限公司) China Resources Concrete (Dongguan Fengcheng) Limited ("Dongguan Fengcheng Concrete") ⁽²⁾	Chinese Mainland	September 29, 2006	HK\$20,000,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete

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				2006	2007	2008	2009			
(華潤混凝土(防城港)有限公司) China Resources Concrete (Fangchenggang) Limited ("Fangchenggang Concrete") ⁽²⁾	Chinese Mainland	August 29, 2006	HK\$12,500,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete	
(封開華潤混凝土有限公司) China Resources Concrete (Fengkai) Limited ("Fengkai Concrete") ⁽²⁾	Chinese Mainland	November 21, 2008	RMB3,000,000	N/A	N/A	N/A	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(佛山)有限公司) China Resources Concrete (Foshan) Co. Limited ("Foshan Concrete") ⁽²⁾	Chinese Mainland	August 2, 2005	HK\$20,000,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(福建)有限公司) China Resources Concrete (Fujian) Limited ("Fujian Concrete") ⁽²⁾	Chinese Mainland	June 10, 2008	HK\$26,000,000	N/A	N/A	100%	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(福州)有限公司) China Resources Concrete (Fuzhou) Limited ("Fuzhou Concrete") ⁽²⁾	Chinese Mainland	September 27, 2007	HK\$21,000,000	N/A	100%	100%	100%	100%	Manufacture and sale of concrete	
(福州開發區華潤混凝土有限公司) China Resources Concrete (Fuzhou Development Zone) Limited ("Fuzhou Development Zone") ⁽²⁾	Chinese Mainland	July 27, 2007	HK\$20,000,000	N/A	100%	100%	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(廣西)有限公司) China Resources Concrete (Guangxi) Limited ("Guangxi Concrete") ⁽²⁾	Chinese Mainland	August 16, 2006	HK\$34,000,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(貴港)有限公司) China Resources Concrete (Guigang) Limited ("Guigang Concrete") ⁽²⁾	Chinese Mainland	July 2, 2008	HK\$25,000,000	N/A	N/A	100%	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(高要)有限公司) China Resources Concrete (Gaoyao) Limited ("Gaoyao Concrete") ⁽²⁾	Chinese Mainland	March 13, 2009	HK\$20,000,000	N/A	N/A	N/A	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(江門)有限公司) China Resources Concrete (Jiangmen) Limited ("Jiangmen Concrete") ⁽²⁾	Chinese Mainland	June 30, 2006	HK\$20,000,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete	
(江門華潤混凝土棠下有限公司) China Resources Concrete (Jiangmen Tangxia) Limited ("Jiangmen Tangxia Concrete") ⁽²⁾	Chinese Mainland	December 3, 2007	HK\$20,000,000	N/A	100%	100%	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(柳州)有限公司) China Resources Concrete (Liuzhou) Limited ("Liuzhou Concrete") ⁽²⁾	Chinese Mainland	November 21, 2007	HK\$20,000,000	N/A	100%	100%	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(來賓)有限公司) China Resources Concrete (Laibin) Limited ("Laibin Concrete") ⁽²⁾	Chinese Mainland	April 2, 2009	HK\$20,000,000	N/A	N/A	N/A	100%	100%	Manufacture and sale of concrete	
(華潤混凝土(南寧)有限公司) China Resources Concrete (Nanning) Limited ("Nanning Concrete") ⁽²⁾	Chinese Mainland	January 19, 2004	HK\$20,000,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete	
(南寧華潤青秀混凝土有限公司) China Resources Concrete (Nanning Qingxiu) Limited ("Nanning Qingxiu Concrete") ⁽²⁾	Chinese Mainland	June 18, 2008	HK\$34,000,000	N/A	N/A	100%	100%	100%	Manufacture and sale of concrete	
(南寧華潤西鄉塘混凝土有限公司) China Resources Concrete (Nanning Xixiangtang) Limited ("Nanning Xixiangtang Concrete") ⁽²⁾	Chinese Mainland	July 28, 2005	HK\$20,000,000	100%	100%	100%	100%	100%	Manufacture and sale of concrete	

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Subsidiaries	Place of incorporation/ establishment/ registration	Date of incorporation/ establishment/ registration	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group					Principal activities	
				At December 31,			At June 30,	At date of report		
				2006	2007	2008	2009			
(華潤混凝土(欽州)有限公司) China Resources Concrete (Qinzhou) Limited ("Qinzhou Concrete") ⁽²⁾	Chinese Mainland	April 24, 2007	HK\$20,000,000	N/A	100%	100%	100%	100%	100%	Manufacture and sale of concrete
(深圳華潤混凝土有限公司) China Resources Concrete (Shenzhen) Company Limited ("Shenzhen Concrete") ⁽²⁾	Chinese Mainland	March 26, 2002	RMB25,000,000	100%	100%	100%	100%	100%	100%	Manufacture and sale of concrete
(華潤混凝土(肇慶)有限公司) China Resources Concrete (Zhaoqing) Limited ("Zhaoqing Concrete") ⁽²⁾	Chinese Mainland	February 3, 2008	HK\$20,000,000	N/A	N/A	100%	100%	100%	100%	Manufacture and sale of concrete
(華潤混凝土有限公司) China Resources Concrete Limited ⁽¹⁾	British Virgin Islands	April 29, 1997	US\$1,000	100%	100%	100%	100%	100%	100%	Holding investments in subsidiaries
(華潤東莞水泥廠控股有限公司) China Resources Dongguan Cement Manufactory Holdings Limited ("Dongguan Cement Holdings")	HK	January 25, 1994	HK\$150,000,000	100%	100%	100%	100%	100%	100%	Holding investment in a subsidiary and trading of cement
(東莞華潤混凝土有限公司) China Resources Dongguan Concrete Co., Limited ("Dongguan Concrete") ⁽²⁾	Chinese Mainland	June 24, 2002	HK\$20,000,000	100%	100%	100%	100%	100%	100%	Manufacture and sale of concrete
(封開華潤礦業有限公司) China Resources Fengkai Quarry Limited ("Fengkai Quarry") ⁽²⁾	Chinese Mainland	August 21, 2008	RMB100,000	N/A	N/A	100%	100%	100%	100%	Inactive
(晴朗投資有限公司) Clear Bright Investments Limited ("Clear Bright")	British Virgin Islands	January 8, 2003	US\$2	100%	100%	100%	100%	100%	100%	Holding investments in subsidiaries
(東莞華潤水泥廠有限公司) Dongguan Huarun Cement Manufactory Company Limited ("Dongguan Huarun Cement") ⁽²⁾	Chinese Mainland	May 23, 1994	HK\$199,000,000	100%	100%	100%	100%	100%	100%	Manufacture and sale of cement
Eurolink Resources Limited	British Virgin Islands	March 6, 2006	HK\$10,000	N/A	N/A	100%	100%	100%	100%	Holding investments in subsidiaries
(思耀有限公司) Flavour Glory Limited ("Flavour Glory")	British Virgin Islands	January 2, 2003	US\$2	100%	100%	100%	100%	100%	100%	Holding investments in subsidiaries
(佛山華潤順安混凝土有限公司) Foshan China Resources Shunan Concrete Limited ("Foshan Shunan Concrete") ⁽²⁾	Chinese Mainland	February 27, 2002	US\$2,420,000	100%	100%	100%	100%	100%	100%	Manufacture and sale of concrete
(豐誠有限公司) Full Sincere Limited	British Virgin Islands	January 2, 2003	US\$2	100%	100%	100%	100%	100%	100%	Holding investments in subsidiaries
(振虹投資有限公司) Golden Rocket Investment Limited	HK	November 26, 2007	HK\$1,000	N/A	N/A	100%	100%	100%	100%	Inactive

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				At December 31,			At June 30,	At date of report	
				2006	2007	2008	2009		
(佳績投資有限公司) Goodsales Investments Limited	British Virgin Islands	January 2, 2003	US\$2	100%	100%	100%	100%	100%	Holding investment in a subsidiary
(廣西華潤紅水河水泥有限公司) Guangxi China Resources Hongshuihe Cement Co., Ltd. ("Hongshuihe Cement") ⁽³⁾	Chinese Mainland	December 24, 2001	RMB200,000,000	91.8% (Note c)	91.8% (Note c)	91.8%	91.8%	91.8%	Manufacture and sale of cement
(廣西華潤紅水河碼頭倉儲有限公司) Guangxi China Resources Hongshuihe Pier Store Limited ("Hongshuihe Pier Store") ⁽³⁾	Chinese Mainland	July 24, 2002	RMB2,000,000	90.9% (Note d)	90.9% (Note d)	90.9%	N/A (Note o)	N/A (Note o)	Property holding
(廣西紅水河水泥股份有限公司) Guangxi Hongshuihe Cement Joint Stock Company Limited ("Hongshuihe Joint Stock") ⁽⁴⁾	Chinese Mainland	October 22, 1996	RMB305,256,700	72.8% (Note b)	72.8%	72.8%	72.8%	72.8%	Holding investment in an associate
Hentex Resources Limited	British Virgin Islands	January 2, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(河源華潤鵬源混凝土有限公司) Heyuan China Resources Pengyuan Concrete Limited ("Heyuan Concrete") ⁽²⁾	Chinese Mainland	November 10, 2006	RMB22,000,000	N/A (Note m)	100%	100%	100%	100%	Manufacture and sale of concrete
(康達資源有限公司) Hongda Resources Limited	British Virgin Islands	February 19, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investments in subsidiaries
Kenetic Resources Limited	British Virgin Islands	August 30, 2007	US\$2	N/A	N/A	100% (Note n)	100%	100%	Holding investments in subsidiaries
Mingo Resources Limited	British Virgin Islands	July 3, 2003	HK\$200	N/A	N/A	100% (Note n)	100%	100%	Holding investments in subsidiaries
Rossa Resources Limited	British Virgin Islands	January 2, 2008	HK\$10,000	N/A	N/A	100%	100%	100%	Holding investment in a subsidiary
(汕頭水泥有限公司) Shantou Cement Limited ("Shantou Cement") ⁽²⁾	Chinese Mainland	March 31, 1994	RMB210,000,000	N/A	N/A	100% (Note k)	100%	100%	Manufacture and sale of cement
(深圳華潤生成混凝土有限公司) Shenzhen China Resources Shengcheng Concrete Limited ("Shengcheng Concrete") ⁽²⁾	Chinese Mainland	July 24, 2003	RMB20,000,000	100%	100%	100%	100%	100%	Inactive
(深圳華潤文偉混凝土有限公司) Shenzhen China Resources Wenwei Concrete Limited ("Wenwei Concrete") ⁽²⁾	Chinese Mainland	April 12, 2001	RMB20,000,000	100%	100%	100%	100%	100%	Inactive
Sinocan Resources Limited ⁽¹⁾	British Virgin Islands	September 24, 2007	HK\$2	N/A	100%	100%	100%	100%	Inactive
Smartec Resources Limited	British Virgin Islands	July 9, 2007	HK\$10,000	N/A	N/A	100% (Note n)	100%	100%	Holding investments in subsidiaries
(泰科投資有限公司) Tayford Investments Limited	HK	November 28, 2007	HK\$1,000	N/A	N/A	100% (Note n)	100%	100%	Holding investment in a subsidiary

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				At December 31,			At June 30,	At date of report	
				2006	2007	2008	2009		
Tino Investments Limited	British Virgin Islands	October 28, 1999	US\$1	N/A	N/A	100% (Note k)	100%	100%	Holding investment in a subsidiary
Top Dragon Resources Limited	British Virgin Islands	November 20, 2007	HK\$10,000	N/A	N/A	100% (Note n)	100%	100%	Holding investment in a subsidiary
Tricot Limited ("Tricot")	British Virgin Islands	July 1, 2003	US\$1	100%	100%	100%	100%	100%	Inactive
(湛江華潤紅水河水泥有限公司) Zhanjiang China Resources Hongshuihe Cement Company Limited ("Zhanjiang Cement") ⁽³⁾	Chinese Mainland	March 3, 2003	HK\$22,000,000	64.3% (Note e)	94.3% (Note e)	100% (Note e)	100%	100%	Manufacture and sale of cement
Rich Team Resources Limited and its subsidiaries ("Rich Team Group")									
Bigwood Limited	HK	June 21, 1998	HK\$20	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
Britscore Properties Limited	British Virgin Islands	January 6, 2000	US\$1	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
(好進有限公司) Cheer Forward Limited	HK	April 26, 2002	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
Dynashare Investments Limited	British Virgin Islands	July 18, 2000	US\$1	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
Falcon Strength Limited	British Virgin Islands	January 6, 2000	US\$1	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
(銳致有限公司) First Route Limited	HK	January 9, 1996	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Property holding
(金得旺有限公司) General Perfect Limited	HK	May 16, 1989	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Property holding
(喜升有限公司) Hasing Limited	HK	March 5, 1996	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Holding investment in a subsidiary
Maple Hall International Limited	British Virgin Islands	January 6, 2000	US\$1	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
New Age Resources Limited	British Virgin Islands	March 18, 1996	US\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
New Age Worldwide Limited	British Virgin Islands	March 18, 1996	US\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Inactive
(貴就發展有限公司) Profit Success Development Limited	HK	May 22, 1987	HK\$10,000	100%	100% (Note h)	100% (Note h)	100%	100%	Property holding
(太旺有限公司) Prosper Supreme Limited	HK	March 5, 1996	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Holding investment in a subsidiary
(品質管制顧問有限公司) Quality Control Consultants Limited	HK	September 27, 1985	HK\$200,000	100%	100% (Note h)	100% (Note h)	100%	100%	Concrete testing and consultancy services
(中港煤灰有限公司) Redland Ash Limited	HK	June 25, 1996	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Trading of fly ash
(中港水泥系列有限公司) Redland Cement Connections Limited (formerly Redland Concrete Connections Limited (中港建材系列有限公司))	HK	August 15, 1996	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Trading of cements
(中港混凝土有限公司) Redland Concrete Limited ("Redland Concrete")	HK	February 28, 1986	HK\$10	100%	100% (Note h)	100% (Note h)	100%	100%	Manufacture and sale of concrete

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Subsidiaries	Place of incorporation/ establishment/ registration	Date of incorporation/ establishment/ registration	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group					Principal activities
				At December 31,			At June 30,	At date of report	
				2006	2007	2008	2009		
(中港物料供應有限公司) Redland Construction Materials Limited	HK	May 27, 1988	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Trading of construction materials
(中港沙漿有限公司) Redland Mortars Limited	HK	August 8, 1986	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Trading of mortars
(中港噴漿有限公司) Redland Shotcrete Limited	HK	October 8, 1997	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Trading of shotcrete
(富添資源有限公司) Rich Team Resources Limited (“Rich Team”)	HK	October 30, 2007	US\$1	N/A	100% (Note h)	100% (Note h)	100%	100%	Holding investments in subsidiaries
(大盛利投資有限公司) Standard Wealth Investment Limited	HK	May 26, 1999	HK\$2	100%	100% (Note h)	100% (Note h)	100%	100%	Property holding
China Resources Precast Concrete Limited and its subsidiaries (“Precast Group”)									
(華潤預製混凝土有限公司) China Resources Precast Concrete Limited (“CR Precast”)	British Virgin Islands	December 14, 2005	US\$ 1,000	100%	N/A (Note i)	N/A	N/A	N/A	Holding investments in subsidiaries
(東莞中威預製混凝土有限公司) Dongguan Redland Precast Concrete Products Limited (“Dongguan Precast”) ⁽²⁾	Chinese Mainland	June 12, 2000	HK\$12,800,000	100%	N/A (Note i)	N/A	N/A	N/A	Manufacture and sale of precast products
Joyce Ocean Limited (“Joyce Ocean”)	British Virgin Islands	September 17, 1999	US\$50,000	N/A (Note j)	N/A	N/A	N/A	N/A	Inactive
(中港混凝土(中國)有限公司) Redland Concrete (China) Limited	HK	March 23, 1998	HK\$2	100%	N/A (Note i)	N/A	N/A	N/A	Holding of barge
Redland-GRC Joint Venture Limited	HK	August 15, 1997	HK\$100	100%	N/A (Note i)	N/A	N/A	N/A	Inactive
Redland Precast Concrete Products (Macau) Limited	Macau	April 25, 2005	MOP25,000	100%	N/A (Note i)	N/A	N/A	N/A	Manufacture and sale of precast concrete products
(中威預製混凝土產品有限公司) Redland Precast Concrete Products Limited	HK	July 25, 1991	HK\$70,000,000	100%	N/A (Note i)	N/A	N/A	N/A	Manufacture and sale of precast concrete products
Redland Precast Concrete Products Pte Limited (“Precast Singapore”)	Singapore	March 24, 1998	SGD\$100,000	100%	N/A (Note i)	N/A	N/A	N/A	Inactive
(中港石礦有限公司) Redland Quarries Limited	HK	November 10, 1987	HK\$2	100%	N/A (Note i)	N/A	N/A	N/A	Holding of tug boat
(信基物流有限公司) Sinoking Logistics Limited	HK	December 17, 2003	HK\$2	100%	N/A (Note i)	N/A	N/A	N/A	Holding of barge
(華僑船務有限公司) Sinoking Shipping Limited	HK	December 1, 2003	HK\$2	100%	N/A (Note i)	N/A	N/A	N/A	Holding of barge
Wealth Trinity Limited	British Virgin Islands	March 15, 1999	US\$30,000	100%	N/A (Note i)	N/A	N/A	N/A	Inactive
Associate									
Man Wah Quarry Limited (“Man Wah”) ⁽⁴⁾	HK	November 20, 1984	HK\$100,000	50%	50%	50%	50%	50%	Inactive

⁽¹⁾ These companies are directly held by the Company.

⁽²⁾ These companies were established in the Chinese Mainland in the form of wholly foreign-owned enterprise.

⁽³⁾ These companies were established in the Chinese Mainland in the form of sino-foreign equity joint venture enterprise.

⁽⁴⁾ The Group holds 50% of the issued share capital of Man Wah and appoints 1 out of 5 directors on the board of directors of Man Wah. The directors of the Company can only able to exercise significant influence over Man Wah and therefore it was classified as an associate of the Group during the Track Record Period.

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Notes:

- (a) On December 28, 2007, the Group transferred the entire issued shares in Flavour Glory, a wholly-owned subsidiary of the Group, to Smooth Concept, the immediate holding company of the Company, at a consideration of HK\$229 million. On June 30, 2008, Smooth Concept transferred back the entire interest in Flavour Glory to the Group at a consideration of HK\$245 million. Flavour Glory and the Company are ultimately controlled by CRH before and after the transfers of interest in Flavour Glory. For the purpose of this report, the Group's equity interest in Flavour Glory as at December 31, 2007 was considered as 100% after taking into consideration the subsequent transfer-in and applying the principles of merger accounting.
- (b) On August 10, 2006, the Group acquired 0.7% shareholding of Hongshuihe Joint Stock, at a consideration of RMB2 million from a third party. On September 30, 2006, several minority shareholders withdrew their initial capital injections, amounted to RMB19 million, and thus the Group had a deemed acquisition of 4.2% of the equity interest in Hongshuihe Joint Stock. By combination of the above transactions, the Group's equity interest in Hongshuihe Joint Stock increased from 67.9% as at December 31, 2005 to 72.8% as at December 31, 2006 or by 4.9% during the year ended December 31, 2006.
- (c) As stated in note (b) above, the Group's equity interest in Hongshuihe Joint Stock increased by 4.9% in September 2006. Hongshuihe Joint Stock indirectly held 30% equity interest in Hongshuihe Cement. Hongshuihe Cement was also a 70% owned subsidiary of Flavour Glory. Therefore, the Group's equity interest in Hongshuihe Cement increased from 90.4% as at December 31, 2005 to 91.8% as at December 31, 2006 or by 1.5% during the year ended December 31, 2006.

As stated in note (a) above, the Group's equity interest in Flavour Glory as at December 31, 2007 was considered as 100%. As a result, the Group's equity interest in Hongshuihe Cement as at December 31, 2007 was considered as 91.8%.

- (d) As stated in notes (b) and (c) above, the Group's equity interest in Hongshuihe Cement and Hongshuihe Joint Stock increased by 1.5% and 4.9%, respectively, in September 2006. 95% equity interest of Hongshuihe Pier Store was held by Hongshuihe Cement and 5% equity interest of Hongshuihe Pier Store was held by Hongshuihe Joint Stock. Therefore, the Group's equity interest in Hongshuihe Pier Store increased from 89.3% as at December 31, 2005 to 90.9% as at December 31, 2006 or by 1.6% during the year ended December 31, 2006.

As stated in note (c) above, the Group's equity interest in Hongshuihe Cement as at December 31, 2007 was considered as 91.8%. As a result, the Group's equity interest in Hongshuihe Pier Store as at December 31, 2007 was considered as 90.9%.

- (e) As stated in note (c) above, the Group's equity interest in Hongshuihe Cement increased by 1.5% in October 2006. As a result, the Group's equity interest in Zhanjiang Cement increased from 63.3% as at December 31, 2005 to 64.3% as at December 31, 2006 or by 1.0% during the year ended December 31, 2006.

On January 20, 2007, one wholly-owned subsidiary of the Group acquired 30% equity interest in Zhanjiang Cement from a minority shareholder at a consideration of RMB8 million. As a result, the Group's equity interest in Zhanjiang Cement increased from 64.3% as at December 31, 2006 to 94.3% as at December 31, 2007 or by 30.0% immediately after the acquisition. As stated in note (c) above, the Group's equity interest in Hongshuihe Cement as at December 31, 2007 was considered as 91.8%. As a result, the Group's equity interest in Zhanjiang Cement as at December 31, 2007 was considered as 94.3%.

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On March 10, 2008, 70% equity interest in Zhanjiang Cement was transferred from Hongshuihe Cement to Cement Investments. Since Hongshuihe Cement is not wholly-owned by the Group but Cement Investments is a wholly-owned subsidiary of the Group, the Group had a deemed acquisition of 5.7% equity interest in Zhanjiang Cement. Thus, the Group's effective equity interest in Zhanjiang Cement as at December 31, 2008 was considered as 100%.

- (f) On December 28, 2007, the Group transferred the entire issued shares in Clear Bright, a wholly-owned subsidiary of the Group, to Smooth Concept, at a consideration of HK\$58 million. On June 30, 2008, Smooth Concept transferred back the entire interests in Clear Bright to the Group at a consideration of HK\$71 million. Clear Bright and the Company are ultimately controlled by CRH before and after the transfers of interest in Clear Bright. For the purpose of this report, the Group's equity interest in Clear Bright as at December 31, 2007 was considered as 100% after taking into consideration the subsequent transfer-in and applying the principles of merger accounting.
- (g) Dongguan Cement Holdings and Dongguan Huarun Cement are the wholly-owned subsidiaries of Clear Bright since their incorporation/establishment. As stated in note (f) above, the Group's equity interest in Clear Bright as at December 31, 2007 was considered as 100%. As a result, the Group's effective equity interests in both Dongguan Cement Holdings and Dongguan Huarun Cement as at December 31, 2007 were considered as 100%.
- (h) On December 4, 2007, the Group entered into an agreement to dispose of the entire issued share capital of Redland Concrete to China Resources Gas Group Limited (formerly known as China Resources Logic Limited) ("CR Gas"), a subsidiary of CRH, for a cash consideration of HK\$218 million. The disposal was completed on March 5, 2008.

On December 31, 2008, the Group acquired back the entire issued share capital of Rich Team, the parent company of Redland Concrete, from CR Gas at a cash consideration of HK\$305 million. Rich Team Group and the Company are ultimately controlled by CRH before and after the transfers of interest in Rich Team Group. The Group's equity interest in Rich Team was considered to be 100% throughout the years ended December 31, 2007 and 2008 except for interests in CR Gas that are not held by CRH during the period from March 5, 2008 to December 31, 2008, which are accounted for as minority interests, after taking into consideration the subsequent transfer-back of the entire issued share capital of Rich Team to the Group and applying the principles of merger accounting.

- (i) On December 28, 2007, the Group entered into an agreement to dispose of the entire issued shares in CR Precast to Smooth Concept, at a consideration of HK\$1. The disposal was completed on December 28, 2007.
- (j) Joyce Ocean was struck off in 2006.
- (k) On April 2, 2008, the Group entered an agreement to acquire Tino Investments Limited from a third party not related to the Group, at a consideration of RMB96 million. China Cement Company (Shantou) Limited and Shantou Cement are acquired by the Group through the acquisition of Tino Investments Limited.
- (l) On September 27, 2007, the Group acquired Fuzhou Cement from a third party not related to the Group, at a consideration of RMB20 million.
- (m) On October 28, 2007, the Group acquired Heyuan Concrete from a third party not related to the Group, at a consideration of RMB17 million after netting of RMB10 million, which represented the amount waived by the vendor due to the acceptance of certain liabilities of Heyuan Concrete by the Group.

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- (n) Eurolink Resources Limited, Kenetic Resources Limited, Mingo Resources Limited, Smartec Resources Limited and Top Dragon Resources Limited were acquired by the Group on June 30, 2008 from Smooth Concept, at a consideration of HK\$10,000, US\$2, HK\$200, HK\$10,000 and HK\$10,000, respectively. All these companies were acquired by Smooth Concept from third parties not related to the Group in 2008. On January 1, 2008, Golden Rocket Investment Limited and Tayford Investments Limited were acquired by the Group from a third party not related to the Group at a consideration of HK\$1.
- (o) The Group entered into an agreement to dispose of the entire equity interest in Hongshuihe Pier Store at a consideration of RMB138 million on December 2, 2008 and the disposal was completed on April 6, 2009.

All of the above subsidiaries and associate are limited liability companies established in their respective place of incorporation/establishment and adopt December 31, as the financial year end date.

The statutory financial statements of the subsidiaries and associate for the Track Record Period, or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by Deloitte Touche Tohmatsu except for the followings:

<u>Name</u>	<u>Financial period</u>	<u>Auditors#</u>
Beihai Concrete	For each of the two years ended December 31, 2007	(廣西天辰會計師事務所有限公司) (Guangxi Tianchen Certified Public Accountants Co. Ltd.)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Cement Investments	For each of the two years ended December 31, 2007	(深圳畢德安華會計師事務所) (Shenzhen Bide Anhua Certified Public Accountants)
	For the year ended December 31, 2008	(開元信德會計師事務所有限公司) (Carea Schinda Certified Public Accountants)
Dongguan Concrete	For each of the three years ended December 31, 2008	(東莞市華聯會計師事務所有限公司) (Dongguan Hualian Certified Public Accountants Co. Ltd.)
Dongguan Fengcheng Concrete	From September 29, 2006 (date of establishment) to December 31, 2006 and for each of the two years ended December 31, 2008	(東莞市華聯會計師事務所有限公司) (Dongguan Hualian Certified Public Accountants Co. Ltd.)
Dongguan Huarun Cement	For each of the three years ended December 31, 2008	(東莞市德信康會計師事務所) (Dongguan Discran Certified Public Accountants)
Dongguan Precast	For each of the two years ended December 31, 2007	(廣東正量會計師事務所有限公司) (Guangdong Zhengliang Certified Public Accountants)

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Fangchenggang Cement	For the year ended December 31, 2006	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For each of the two years ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Fangchenggang Concrete	From August 29, 2006 (date of establishment) to December 31, 2006	(廣西天辰會計師事務所有限公司) (Guangxi Tianchen Certified Public Accountants Co. Ltd.)
	For the year ended December 31, 2007	(廣西佳海會計師事務所有限公司) (Guangxi Jiahai Accountant Affairs Office Co. Ltd.)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Fengkai Cement	From August 14, 2007 (date of establishment) to December 31, 2007	(廣東肇慶中鵬會計師事務所有限公司) (Guangdong Zhaoqing Zhongpeng Certified Public Accountants Co., Ltd.)
	For the year ended December 31, 2008	(開元信德會計師事務所有限公司) (Carea Schinda Certified Public Accountants)
Fengkai Concrete	From November 21, 2008 (date of establishment) to December 31, 2008	(開元信德會計師事務所有限公司) (Carea Schinda Certified Public Accountants)
Fengkai Quarry	From August 21, 2008 (date of establishment) to December 31, 2008	(廣東肇慶中鵬會計師事務所有限公司) (Guangdong Zhaoqing Zhongpeng Certified Public Accountants Co., Ltd.)
Foshan Concrete	For the year ended December 31, 2006	(佛山市立為會計師事務所有限公司) (Foshan Liwei Certified Public Accountants Limited Company)
	For the year ended December 31, 2007	(廣東天華華粵會計師事務所有限公司佛山分所) (Tin Wha Huayue CPAs. Foshan Guangdong)
	For the year ended December 31, 2008	(佛山市廣華會計師事務所) (Foshan GuangHua Certified Public Accountants)
Foshan Shunan Concrete	For the year ended December 31, 2006	(佛山市立為會計師事務所有限公司) (Foshan Liwei Certified Public Accountants Limited Company)
	For the year ended December 31, 2007	(廣東天華華粵會計師事務所有限公司佛山分所) (Tin Wha Huayue CPAs. Foshan Guangdong)
	For the year ended December 31, 2008	(佛山市廣華會計師事務所) (Foshan GuangHua Certified Public Accountants)

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Fuchuan Cement	From May 9, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Fujian Concrete	From June 10, 2008 (date of establishment) to December 31, 2008	(福州東祥會計師事務所有限公司) (Fuzhou Dongxiang Certified Public Accountants Co., Ltd.)
Fuzhou Cement	For each of the two years ended December 31, 2008 (Note a)	(福建弘華會計師事務所有限公司) (Fujian Honghua Certified Public Accountants Co., Ltd.)
Fuzhou Concrete	From September 27, 2007 (date of establishment) to December 31, 2007 and for the year ended December 31, 2008	(福建弘華會計師事務所有限公司) (Fujian Honghua Certified Public Accountants Co., Ltd.)
Fuzhou Development Zone	From July 27, 2007 (date of establishment) to December 31, 2007 and for the year ended December 31, 2008	(福建弘華會計師事務所有限公司) (Fujian Honghua Certified Public Accountants Co., Ltd.)
Gaoyao Concrete	(Note b)	N/A
Guangxi Concrete	From August 16, 2006 (date of establishment) to December 31, 2006	(廣西天辰會計師事務所有限公司) (Guangxi Tianchen Certified Public Accountants Co. Ltd.)
	For the year ended December 31, 2007	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Guigang Cement	For each of the two years ended December 31, 2007	(深圳大公會計師事務所) (Shenzhen Dagong Certified Public Accountants)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Guigang Concrete	From July 2, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Guiping Cement	From May 26, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Hepu Cement	(Note b)	N/A
Heyuan Concrete	For the year ended December 31, 2007 (Note a)	(廣州海正會計師事務所有限公司) (Guangzhou Haizheng Certified Public Accountants Co., Ltd.)
	For the year ended December 31, 2008	(河源市南宏會計師事務所) (He Yuan Nan Hong Certified Public Accountants)

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Hongshuihe Cement	For the year ended December 31, 2006	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For each of the two years ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Hongshuihe Joint Stock	For the year ended December 31, 2006	(廣西同德會計師事務所有限責任公司) (Guangxi Tongde Certified Public Accountants)
	For the year ended December 31, 2007	(廣西正則會計師事務所有限責任公司) (Guangxi Zhengze Certified Public Accountants)
	For the year ended December 31, 2008	(廣西同德會計師事務所有限責任公司) (Guangxi Tongde Certified Public Accountants)
Hongshuihe Pier Store	For the year ended December 31, 2006	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For each of the two years ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Jiangmen Concrete	From June 30, 2006 (date of establishment) to December 31, 2006 and for each of the two years ended December 31, 2008	(江門市新會志尚會計師事務所有限公司) (Jiangmen Xinhui Zhishang Certified Public Accountants)
Jiangmen Tangxia Concrete	From December 3, 2007 (date of establishment) to December 31, 2007 and for the year ended December 31, 2008	(江門市新會志尚會計師事務所有限公司) (Jiangmen Xinhui Zhishang Certified Public Accountants)
Laibin Concrete	(Note b)	N/A
Liuzhou Concrete	From November 21, 2007 (date of establishment) to December 31, 2007	(北京華通鑾會計師事務所廣西分所) (Beijing Huatongjian Certified Public Accountants Co., Ltd. Guangxi Branch)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Longyan Cement	(Note b)	N/A
Luchuan Cement	From July 28, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Nanning Cement	For the year ended December 31, 2006	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For each of the two years ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)

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Nanning Concrete	For the year ended December 31, 2006	(廣西天辰會計師事務所有限公司) (Guangxi Tianchen Certified Public Accountants Co. Ltd.)
	For the year ended December 31, 2007	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Nanning Qingxiu Concrete	From June 18, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Nanning Xixiangtang Concrete	For the year ended December 31, 2006	(廣西天辰會計師事務所有限公司) (Guangxi Tianchen Certified Public Accountants Co. Ltd.)
	For the year ended December 31, 2007	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Pingnan Cement	For the year ended December 31, 2006	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For each of the two years ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Precast Singapore	For each of the two years ended December 31, 2007	Kwan Wong Tan & Hong Certified Public Accountants
Qinzhou Concrete	From April 24, 2007 (date of establishment) to December 31, 2007	(廣西起元聯合會計師事務所) (Gx. Qiun Accountants Fm.)
	For the year ended December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Shangsi Cement	From January 15, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Shantou Cement	For the year ended December 31, 2008 (Note c)	(開元信德會計師事務所有限公司) (Carea Schinda Certified Public Accountants)
Shengcheng Concrete	For each of the two years ended December 31, 2007	(深圳永信瑞和會計師事務所) (Shenzhen Yongxinruihe Certified Public Accountants)
	For the year ended December 31, 2008	(開元信德會計師事務所有限公司) (Carea Schinda Certified Public Accountants)

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<u>Name</u>	<u>Financial period</u>	<u>Auditors#</u>
Shenzhen Concrete	For each of the two years ended December 31, 2007	(深圳永信瑞和會計師事務所) (Shenzhen Yongxinruihe Certified Public Accountants)
	For the year ended December 31, 2008	(開元信德會計師事務所有限公司) (Carea Schinda Certified Public Accountants)
Tianyang Cement	From July 18, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Wenwei Concrete	For each of the two years ended December 31, 2007	(深圳永信瑞和會計師事務所) (Shenzhen Yongxinruihe Certified Public Accountants)
	For the year ended December 31, 2008	(開元信德會計師事務所有限公司) (Carea Schinda Certified Public Accountants)
Wuxuan Cement	From June 26, 2008 (date of establishment) to December 31, 2008	(廣西啟源會計師事務所有限責任公司) (Gx. Qiun Certified Public Accountants Ltd.)
Zhanjiang Cement	For each of the three years ended December 31, 2008	(湛江市信達會計師事務所有限公司) (Xinda Certified Public Accountants Co., Ltd. Zhanjiang City)
Zhangzhou Cement	From July 7, 2008 (date of establishment) to December 31, 2008	(廈門欣隆源會計師事務所有限公司) (Xiamen Xinlongyuan Certified Public Accountants Co., Ltd.)
Zhaoqing Concrete	From February 3, 2008 (date of establishment) to December 31, 2008	(佛山市廣華會計師事務所) (Foshan GuangHua Certified Public Accountants)

Notes:

- (a) Fuzhou Cement and Heyuan Concrete were newly acquired subsidiaries during the year ended December 31, 2007.
- (b) No statutory financial statements for Gaoyao Concrete, Hepu Cement, Longyan Cement and Laibin Concrete have been prepared as they have not reached their first financial reporting periods during the Track Record Period.
- (c) Shantou Cement was a newly acquired subsidiary during the year ended December 31, 2008.

These auditors are certified public accountants registered in their respective jurisdictions.

We have acted as auditor of the Company for the Track Record Period. No statutory audited financial statements have been prepared for those subsidiaries which were incorporated in the British Virgin Islands and Macau as they were incorporated in jurisdictions where there are no statutory audit requirements. The audited consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the

APPENDIX I**ACCOUNTANTS' REPORT OF THE COMPANY**

"HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements of the Company for each of the Track Record Period in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to the Financial Information, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in this document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are also responsible for the contents of this document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to the Financial Information, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at December 31, 2006, December 31, 2007, December 31, 2008 and June 30, 2009 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended June 30, 2008 together with the notes thereon (the "June 30, 2008 Financial Information") have been extracted from the Group's unaudited consolidated financial information for the same period which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 30, 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 30, 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the June 30, 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 30, 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

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A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		HKS'000	HKS'000	HKS'000	HKS'000 (unaudited)	
Continuing operations						
Turnover	5	2,111,695	3,743,155	5,781,278	2,603,962	2,738,739
Cost of sales		(1,624,520)	(2,662,043)	(4,462,068)	(1,889,833)	(2,005,232)
Gross profit		487,175	1,081,112	1,319,210	714,129	733,507
Other income	6	85,776	69,223	265,499	220,083	40,785
Gain on disposal of subsidiaries	43	—	391	—	—	22,399
Change in fair value of investment properties	18	—	—	55,040	—	(1,000)
Discount on acquisition of a subsidiary	42	—	2,679	—	—	—
Selling and distribution expenses		(166,880)	(271,025)	(346,656)	(157,964)	(147,289)
General and administrative expenses		(221,242)	(346,395)	(345,351)	(155,576)	(173,441)
Impairment loss recognized in respect of goodwill	20	—	—	(1,301)	(1,301)	—
Finance costs	7	(100,066)	(148,215)	(123,592)	(61,543)	(85,369)
Share of result of an associate		(6)	(5)	(1)	(1)	—
Profit before taxation	8	84,757	387,765	822,848	557,827	389,592
Taxation	10	(2,205)	(28,951)	(39,101)	(21,220)	(19,986)
Profit for the year/period from continuing operations		82,552	358,814	783,747	536,607	369,606
Discontinued operation						
(Loss) profit for the year/period from discontinued operation	14	(2,502)	2,113	—	—	—
Profit for the year/period		80,050	360,927	783,747	536,607	369,606
Other comprehensive income						
Exchange differences arising on translation of foreign operations		67,394	220,070	171,218	229,061	(4,993)
Revaluation of leasehold property upon transfer to investment property		—	—	17,810	17,810	—
Release of translation reserve upon disposal of subsidiaries		—	(2,036)	—	—	—
Other comprehensive income for the year/period		67,394	218,034	189,028	246,871	(4,993)
Total comprehensive income for the year/period		147,444	578,961	972,775	783,478	364,613
Profit for the year/period attributable to:						
Equity holders of the Company		81,954	360,253	760,924	530,353	365,663
Minority interests		(1,904)	674	22,823	6,254	3,943
		80,050	360,927	783,747	536,607	369,606
Total comprehensive income attributable to:						
Equity holders of the Company		150,369	575,133	948,130	775,385	360,631
Minority interests		(2,925)	3,828	24,645	8,093	3,982
		147,444	578,961	972,775	783,478	364,613
Earnings per share						
— Basic	13	14.6 cents	46.1 cents	97.3 cents	67.8 cents	46.8 cents
— Diluted		14.3 cents	N/A	N/A	N/A	N/A

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ACCOUNTANTS' REPORT OF THE COMPANY

Consolidated Statements of Financial Position

	Notes	As at December 31,			As at June 30,
		2006	2007	2008	2009
		HKS'000	HKS'000	HKS'000	HKS'000
Non current assets					
Fixed assets	16	4,077,315	5,422,105	8,124,263	10,546,437
Prepaid lease payments	17	147,154	182,648	293,401	327,088
Investment properties	18	87,683	93,966	35,000	34,000
Intangible assets	19	101,369	113,724	137,807	136,513
Interest in an associate	22	54	49	48	48
Deposits for acquisition of an associate	22	—	—	—	305,218
Deposits for acquisition of fixed assets		89,160	26,326	73,025	79,895
Deferred tax assets	23	24,132	8,831	9,616	9,902
Long term receivables	24	—	—	118,916	161,092
		<u>4,526,867</u>	<u>5,847,649</u>	<u>8,792,076</u>	<u>11,600,193</u>
Current assets					
Inventories	25	333,936	362,488	379,789	527,986
Retention monies receivable		19,231	—	—	—
Amount due from immediate holding company	26	40,794	—	—	—
Amount due from an intermediate holding company	26	—	160,170	—	—
Amounts due from fellow subsidiaries	26	—	6,675	—	—
Trade receivables	27	557,974	649,259	638,156	625,233
Other receivables	27	270,291	247,405	316,664	383,563
Taxation recoverable		—	—	36,961	4,920
Pledged bank deposits	28	30,094	9,131	9,171	1,164,903
Cash and bank balances	29	229,976	339,013	363,590	861,950
		<u>1,482,296</u>	<u>1,774,141</u>	<u>1,744,331</u>	<u>3,568,555</u>
Assets classified as held for sale	15	—	—	157,053	—
		<u>1,482,296</u>	<u>1,774,141</u>	<u>1,901,384</u>	<u>3,568,555</u>
Current liabilities					
Trade payables	30	469,085	586,930	785,190	726,002
Other payables	30	392,604	663,389	889,235	880,663
Provisions	31	3,349	3,959	3,861	3,856
Amount due to immediate holding company	32	—	1,548,056	—	—
Amounts due to minority shareholders of subsidiaries	32	5,892	—	—	—
Amount due to a fellow subsidiary	32	—	—	10,916	—
Taxation payable		9,496	7,469	11,005	12,133
Bank loans — amount due within one year	33	1,806,439	1,185,634	2,810,763	3,897,886
		<u>2,686,865</u>	<u>3,995,437</u>	<u>4,510,970</u>	<u>5,520,540</u>
Liabilities associated with assets classified as held for sale	15	—	—	22,731	—
		<u>2,686,865</u>	<u>3,995,437</u>	<u>4,533,701</u>	<u>5,520,540</u>
Net current liabilities		<u>(1,204,569)</u>	<u>(2,221,296)</u>	<u>(2,632,317)</u>	<u>(1,951,985)</u>
Total assets less current liabilities		<u>3,322,298</u>	<u>3,626,353</u>	<u>6,159,759</u>	<u>9,648,208</u>
Non-current liabilities					
Bank loans — amount due after one year	33	1,081,426	818,647	1,686,812	4,810,987
Provisions	31	46,186	44,916	40,588	38,195
Deferred tax liabilities	23	43,212	39,457	31,115	33,169
		<u>1,170,824</u>	<u>903,020</u>	<u>1,758,515</u>	<u>4,882,351</u>
		<u>2,151,474</u>	<u>2,723,333</u>	<u>4,401,244</u>	<u>4,765,857</u>
Capital and reserves					
Share capital	35	78,179	78,179	78,179	78,179
Reserves		<u>2,042,152</u>	<u>2,617,285</u>	<u>4,288,418</u>	<u>4,649,049</u>
Equity attributable to equity holders of the Company		<u>2,120,331</u>	<u>2,695,464</u>	<u>4,366,597</u>	<u>4,727,228</u>
Minority interests		<u>31,143</u>	<u>27,869</u>	<u>34,647</u>	<u>38,629</u>
Total equity		<u>2,151,474</u>	<u>2,723,333</u>	<u>4,401,244</u>	<u>4,765,857</u>

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ACCOUNTANTS' REPORT OF THE COMPANY

Statements of Financial Position

	Notes	As at December 31,			As at June 30,
		2006	2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non current assets					
Fixed assets	16	314	308	245	1,918
Investments in subsidiaries	21	2,399,432	3,850,413	4,088,157	4,799,938
Deposits for acquisition of fixed assets		5,243	12,943	18,630	18,630
Deferred tax assets	23	4,550	—	—	—
		<u>2,409,539</u>	<u>3,863,664</u>	<u>4,107,032</u>	<u>4,820,486</u>
Current assets					
Amount due from immediate holding company	26	40,794	—	—	—
Other receivables	27	344	563	3,248	1,889
Cash and bank balances		4,524	61,825	36,386	24,720
		<u>45,662</u>	<u>62,388</u>	<u>39,634</u>	<u>26,609</u>
Current liabilities					
Other payables	30	8,948	22,554	13,932	5,081
Amount due to immediate holding company	32	—	1,554,600	—	—
Amounts due to a fellow subsidiary	32	—	—	10,916	—
Amounts due to subsidiaries	21	43,957	21,965	1,145,612	1,829,325
Bank loans — amount due within one year	33	560,000	550,000	431,053	485,000
		<u>612,905</u>	<u>2,149,119</u>	<u>1,601,513</u>	<u>2,319,406</u>
Net current liabilities		<u>(567,243)</u>	<u>(2,086,731)</u>	<u>(1,561,879)</u>	<u>(2,292,797)</u>
Net assets		<u>1,842,296</u>	<u>1,776,933</u>	<u>2,545,153</u>	<u>2,527,689</u>
Capital and reserves					
Share capital	35	78,179	78,179	78,179	78,179
Reserves	36	1,764,117	1,698,754	2,466,974	2,449,510
Total equity		<u>1,842,296</u>	<u>1,776,933</u>	<u>2,545,153</u>	<u>2,527,689</u>

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Consolidated Statements of Changes in Equity

	Equity attributable to equity holders of the Company										Minority interests	Total equity
	Share capital	Share premium	Merger reserve	Share-based compensation reserve	Bonds reserve	Property revaluation reserve	Translation reserve	Retained profits	Total	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2006	38,186	962,125	(35,193)	11,446	90,667	—	28,864	138,518	1,234,613	44,511	1,279,124	
Exchange differences	—	—	—	—	—	—	68,415	—	68,415	(1,021)	67,394	
Profit for the year	—	—	—	—	—	—	—	81,954	81,954	(1,904)	80,050	
Total comprehensive income for the year	—	—	—	—	—	—	68,415	81,954	150,369	(2,925)	147,444	
Conversion of convertible bonds	37,144	705,728	—	—	(84,203)	—	—	24,185	682,854	—	682,854	
Reversal on termination of conversion rights (Note 40(ii))	—	—	—	—	(6,464)	—	—	1,982	(4,482)	—	(4,482)	
Cancellation of existing shares under the Scheme of Arrangement (Note 35(a))	(75,330)	—	—	—	—	—	—	—	(75,330)	—	(75,330)	
Issue of new shares under the Scheme of Arrangement (Note 35(a))	75,330	—	—	—	—	—	—	—	75,330	—	75,330	
Issue of new shares (Note 35(b))	2,849	54,128	—	—	—	—	—	—	56,977	—	56,977	
Transfer of reserve (Note 40(iii))	—	—	—	(11,446)	—	—	—	11,446	—	—	—	
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	—	—	(10,443)	(10,443)	
At December 31, 2006	39,993	759,856	—	(11,446)	(90,667)	—	—	37,613	735,349	(10,443)	724,906	
Exchange differences	78,179	1,721,981	(35,193)	—	—	—	97,279	258,085	2,120,331	31,143	2,151,474	
Release of translation reserve upon disposal of subsidiaries	—	—	—	—	—	—	216,916	—	216,916	3,154	220,070	
Profit for the year	—	—	—	—	—	—	(2,036)	—	(2,036)	—	(2,036)	
Total comprehensive income for the year	—	—	—	—	—	—	—	360,253	360,253	674	360,927	
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	214,880	360,253	575,133	3,828	578,961	
At December 31, 2007	78,179	1,721,981	(35,193)	—	—	—	312,159	618,338	2,695,464	(7,102)	2,723,333	
Exchange differences	—	—	—	—	—	—	169,396	—	169,396	1,822	171,218	
Revaluation of leasehold property upon transfer to investment property	—	—	—	—	—	17,810	—	—	17,810	—	17,810	
Profit for the year	—	—	—	—	—	—	—	760,924	760,924	22,823	783,747	
Total comprehensive income for the year	—	—	—	—	—	—	169,396	760,924	948,130	24,645	972,775	
Issue of new shares (Note 35(c))	—	866,000	—	—	—	—	—	—	866,000	—	866,000	
Deemed disposal of partial interest in subsidiaries through group reorganization (Note b)	—	—	—	—	—	—	—	—	—	67,875	67,875	
Deemed acquisition of additional interest in subsidiaries through group reorganization (Note b)	—	—	—	—	—	—	—	(97,012)	(97,012)	(85,742)	(85,742)	
Deemed distribution (Notes a & b)	—	(45,985)	—	—	—	—	—	—	(45,985)	—	(45,985)	
Interim dividend paid	—	—	—	—	—	—	—	—	—	—	—	
At December 31, 2008	78,179	2,541,996	(35,193)	—	—	—	481,555	1,282,250	4,366,597	34,647	4,401,244	
Exchange differences	—	—	—	—	—	—	(5,032)	—	(5,032)	39	(4,993)	
Profit for the period	—	—	—	—	—	—	—	365,663	365,663	3,943	369,606	
Total comprehensive income and expenses for the period	—	—	—	—	—	—	(5,032)	365,663	360,631	3,982	364,613	
At June 30, 2009	78,179	2,541,996	(35,193)	—	—	—	476,523	1,647,913	4,727,228	38,629	4,765,857	

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	Equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	
Unaudited								
At January 1, 2008	78,179	1,721,981	(35,193)	—	312,159	618,338	2,695,464	2,723,333
Exchange differences	—	—	—	—	227,222	—	227,222	229,061
Revaluation of leasehold property upon transfer to investment property	—	—	—	17,810	—	—	17,810	17,810
Profit for the period	—	—	—	—	—	530,353	530,353	536,607
Total comprehensive income for the period	—	—	—	17,810	227,222	530,353	775,385	783,478
Issue of new shares (Note 35(c))	—	866,000	—	—	—	—	866,000	866,000
Deemed disposal of partial interest in subsidiaries through group reorganization (Note c)	—	—	—	—	—	—	—	67,875
Deemed acquisition of additional interest in subsidiaries through group reorganization (Note c)	—	—	—	—	—	—	—	(74,064)
Deemed distribution (Notes a & c)	—	—	—	—	—	(108,690)	(108,690)	(108,690)
Interim dividend paid	—	(45,985)	—	—	—	—	(45,985)	(45,985)
At June 30, 2008	78,179	2,541,996	(35,193)	17,810	539,381	1,040,001	4,182,174	4,211,947

Notes:

- (a) On December 28, 2007, the Group transferred the entire issued shares in Flavour Glory and Clear Bright to Smooth Concept at an aggregate consideration of HK\$287,833,000. On June 30, 2008, Smooth Concept transferred back the entire interest in Flavour Glory and Clear Bright to the Group, at an aggregate consideration of HK\$315,772,000. The difference amounting to HK\$27,939,000 was deemed as the distribution to Smooth Concept upon application of merger accounting.
- (b) On March 5, 2008, the Group disposed of the entire issued share capital of Redland Concrete to CR Gas at an aggregate consideration of HK\$217,758,000. On December 31, 2008, the Group acquired back the entire issued share capital of Rich Team, the parent company of Redland Concrete, from CR Gas at an aggregate consideration of HK\$304,698,000. The net difference of the consideration received/paid by the Group amounting to HK\$86,940,000, after adjusted for consolidated profit of Rich Team Group shared by the minority interests of CR Gas amounting to HK\$17,867,000 for the period from March 5, 2008 to December 31, 2008, were treated as a deemed distribution. The difference amounting to HK\$69,073,000 was deemed as the distribution to CRH upon application of merger accounting.
- (c) Upon application of merger accounting as referred to in note (b) above, the net difference of the consideration received/paid by the Group amounting to HK\$86,940,000, after adjusted for consolidated profit of Rich Team Group shared by the minority interests of CR Gas amounting to HK\$6,189,000 for the period from March 5, 2008 to June 30, 2008, were treated as a deemed distribution. The difference amounting to HK\$80,751,000 was treated as deemed as the distribution to CRH.

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ACCOUNTANTS' REPORT OF THE COMPANY

Consolidated Statements of Cash Flows

	Notes	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		HKS'000	HKS'000	HKS'000	HKS'000 (unaudited)	HKS'000
Cash flows from operating activities						
Profit before taxation						
Continuing operations		84,757	387,765	822,848	557,827	389,592
Discontinued operation	14	2,290	1,729	—	—	—
		<u>87,047</u>	<u>389,494</u>	<u>822,848</u>	<u>557,827</u>	<u>389,592</u>
Adjustments for:						
Depreciation of fixed assets		185,704	242,558	321,364	156,202	185,203
Impairment loss recognized in respect of fixed assets		—	12,379	—	—	—
Impairment loss on other receivables		—	—	12,329	12,146	—
Amortization of mining rights		1,626	2,045	2,654	1,241	1,365
Discount on acquisition of a subsidiary	42	—	(2,679)	—	—	—
(Gain) loss on change in fair value of investment properties		—	—	(55,040)	—	1,000
Release of prepaid lease payments		3,265	4,106	6,684	3,059	3,777
Interest income		(4,433)	(4,117)	(5,643)	(2,828)	(1,474)
Interest expenses		100,066	148,215	123,592	61,543	85,369
Share of result of an associate		6	(670)	1	1	—
Impairment loss recognized in respect of goodwill		—	—	1,301	1,301	—
Allowance (reversal of allowance) for doubtful debts		21,834	51,466	(22,863)	(6,724)	(17,769)
Loss (gain) on disposal of fixed assets		6,352	8,774	3,418	(145)	1,059
Gain on disposal of subsidiaries	43	—	(391)	—	—	(22,399)
Exchange (gain) loss		(4,554)	59,963	(115,191)	(63,494)	1,837
Operating cash inflows before movements in working capital		396,913	911,143	1,095,454	720,129	627,560
(Increase) decrease in inventories		(150,596)	(12,655)	7,535	(152,765)	(148,779)
(Increase) decrease in retention monies receivable		(2,724)	805	—	—	—
Decrease (increase) in trade receivables		61,985	(252,891)	71,654	(24,775)	30,031
(Increase) decrease in other receivables		(84,685)	31,705	(67,525)	(94,772)	(134,863)
Increase (decrease) in trade payables		87,764	155,354	158,966	(16,873)	(58,381)
(Decrease) increase in other payables		(24,668)	133,729	29,467	(17,592)	82,936
Increase (decrease) in amounts due from fellow subsidiaries		—	6,665	6,675	(9,298)	—
Increase (decrease) in amounts due to minority shareholders of subsidiaries		1,651	(5,892)	—	—	—
Decrease in provisions		(4,041)	(660)	(4,426)	(3,564)	(2,398)
Cash generated from operations		281,599	967,303	1,297,800	400,490	396,106
Hong Kong Profits Tax (paid) refunded		(9,301)	(15,092)	(21,627)	3,503	375
Chinese Mainland Enterprise Incomes Tax (paid) refunded		(1,801)	(5,010)	(42,413)	(4,598)	14,281
Interest paid		(120,157)	(184,336)	(180,970)	(70,718)	(155,881)
Net cash generated from operating activities		<u>150,340</u>	<u>762,865</u>	<u>1,052,790</u>	<u>328,677</u>	<u>254,881</u>

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	Notes	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
						(unaudited)
Cash flows from investing activities						
Acquisition of subsidiaries (net of cash and cash equivalents)	42	—	1,409	(106,033)	(106,033)	—
Deposits paid for acquisition of an associate	22	—	—	—	—	(237,064)
Settlement of considerations for the acquisition of subsidiaries in prior year		—	—	(31,555)	(31,555)	—
Advance receipt of consideration for disposal of a subsidiary		—	—	156,754	—	—
Disposal of subsidiaries (net of cash and cash equivalents)	43	—	(9,636)	—	—	(7)
Acquisition of mining rights		(5,644)	(2,234)	(13,411)	(12,251)	(157)
Increase in prepaid lease payments		(39,715)	(6,239)	(90,827)	(73,566)	(38,448)
Acquisition of additional interest in subsidiaries		(20,422)	(7,692)	—	—	—
Interest received		4,433	4,117	5,643	2,828	1,474
Purchase and deposits paid for acquisition of fixed assets		(955,795)	(1,210,246)	(2,585,875)	(882,198)	(2,487,384)
Proceeds from disposal of fixed assets		9,186	22,667	2,735	706	79
Decrease (increase) in pledged bank deposits		45,210	23,119	542	(899)	(1,157,024)
Advance to fellow subsidiaries		—	(6,675)	—	—	—
(Advance to) repayment from immediate holding company		(40,794)	40,794	—	—	—
(Advance to) repayment from an intermediate holding company		—	(160,170)	160,170	160,170	—
Advances to governments		—	—	(118,916)	—	(42,307)
Net cash used in investing activities		<u>(1,003,541)</u>	<u>(1,310,786)</u>	<u>(2,620,773)</u>	<u>(942,798)</u>	<u>(3,960,838)</u>
Cash flows from financing activities						
Bank loans raised		2,299,078	715,426	4,633,719	1,282,075	7,724,043
Repayments of bank loans		(1,443,459)	(1,761,571)	(2,222,384)	(154,163)	(3,508,234)
Redemption of convertible bonds		(40)	—	—	—	—
Advance from (repayment to) immediate holding company		—	1,689,221	(709,995)	(709,995)	—
Deemed (distribution to) contribution from an intermediate holding company		—	—	(76,024)	217,758	(10,916)
Dividend paid		—	—	(45,985)	(45,985)	—
Net cash generated from financing activities		<u>855,579</u>	<u>643,076</u>	<u>1,579,331</u>	<u>589,690</u>	<u>4,204,893</u>
Net increase (decrease) in cash and cash equivalents for the year/period		2,378	95,155	11,348	(24,431)	498,936
Cash and cash equivalents at beginning of the year/period		221,362	229,976	339,013	339,013	363,889
Effect of foreign exchange rate changes of cash and bank balances		6,236	13,882	13,528	13,562	(875)
Cash and cash equivalents at end of the year/period, representing cash and bank balances	45	<u>229,976</u>	<u>339,013</u>	<u>363,889</u>	<u>328,144</u>	<u>861,950</u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Island on March 13, 2003.

On December 28, 2007, the Group transferred the entire equity interests in Clear Bright and Flavour Glory to Smooth Concept. On June 30, 2008, Smooth Concept transferred back the entire equity interests in Clear Bright and Flavour Glory to the Company ("2007 Group Reorganization"). The Company, Smooth Concept, Clear Bright and Flavour Glory are under the common control of CRH both before and after the transfers of interests in Clear Bright and Flavour Glory, and that control is not transitory.

On December 4, 2007, the Group entered into an agreement to dispose of the entire issued share capital of Redland Concrete to CR Gas, a subsidiary of CRH, and the disposal was completed on March 5, 2008. On December 31, 2008, the Group acquired the entire issued share capital of Rich Team, the parent company of Redland Concrete, from CR Gas ("Reorganization of Redland Concrete"). Rich Team Group and the Company are ultimately controlled by CRH before and after the transfers of interest in Rich Team Group. The Group's equity interest in Rich Team was considered to be 100% throughout the years ended December 31, 2007 and 2008 except for interest in CR Gas that are not held by CRH during the period from March 5, 2008 to December 31, 2008, which are accounted for as minority interests, after taking into consideration the subsequent transfer-back of the entire issued share capital of Rich Team to the Group.

On June 30, 2008, the Group acquired the entire interest in Eurolink Resources Limited, Kenetic Resources Limited, Mingo Resources Limited, Smartec Resources Limited and Top Dragon Resources Limited from Smooth Concept (together with the Reorganization of Redland Concrete hereinafter collectively referred to as the "2008 Group Reorganization"). These companies were acquired by Smooth Concept from third parties on June 30, 2008. The Company and Smooth Concept are under the common control of CRH both before and after the business combination and that control is not transitory.

The Financial Information of the Group throughout the Track Record Period has been prepared using the principles of merger accounting as set out in Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA, and includes the results and cash flows of the companies comprising the Group pursuant to the 2007 and 2008 Group Reorganization as if the business combination had occurred from the date when the combining entities or business first came under the control of the controlling party, CRH, except for the financial information of certain companies acquired or disposed of during the Track Record Period from the respective effective dates of acquisition or up to the respective dates of disposal. The consolidated statements of financial position of the Group as at December 31, 2006, 2007 and 2008, and June 30, 2009 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure had been in existence as at those dates and in accordance with the respective equity interests in the individual companies attributable to equity shareholders of the Company as at those dates.

All intra-group transactions and balances have been eliminated on consolidation.

For the period up to December 2007, the management of the Company had considered Hong Kong Dollar ("HK\$") as the functional currency of the Company. In December 2007, the Company entered into agreements to dispose of its entire equity interests in certain subsidiaries which are principally operated in

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Hong Kong. As a result of such disposals, the directors of the Company are of the view that the functional currency of the Company has been changed from HK\$ to Renminbi ("RMB") on January 1, 2008.

The Financial Information is presented in HK\$ as the Company proposes to list its shares on the Stock Exchange.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The HKICPA issued a number of new Hong Kong Accounting Standards ("HKAS"s) and HKFRS, Amendments and Interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRS") which are effective for the Group's financial periods beginning on January 1, 2009. For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted all these new HKFRS consistently throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following standards, amendment and interpretations that are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ⁽¹⁾
HKFRS (Amendments)	Improvements to HKFRS in 2009 ⁽²⁾
HKAS 27 (Revised)	Consolidated and separate financial statements ⁽¹⁾
HKAS 39 (Amendment)	Eligible hedged items ⁽¹⁾
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁽³⁾
HKFRS 3 (Revised)	Business combinations ⁽¹⁾
HK(IFRIC) — INT 17	Distribution of non-cash assets to owners ⁽¹⁾
HK(IFRIC) — INT 18	Transfer of assets from customers ⁽⁴⁾

⁽¹⁾ Effective for annual periods beginning on or after July 1, 2009.

⁽²⁾ Effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.

⁽³⁾ Effective for annual periods beginning on or after January 1, 2010.

⁽⁴⁾ Effective for transfers on or after July 1, 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for non-common control business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for change in the Group's interest in a subsidiary.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRS issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal (except for subsidiaries under common control which are accounted for using the principles of merger accounting), as appropriate.

Where necessary, adjustments are made to the Financial Information of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority interest in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority shareholder has a binding obligation and is able to make an additional investment to cover the losses.

Business combination**(i) Business combination under common control**

For group reorganization under common control, merger accounting is adopted. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated statements of financial position of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

(ii) Business combination other than under common control

The acquisition of subsidiaries, other than group reorganization involving entities under common control, 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 "Business combinations" are recognized at fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

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The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Acquisition of additional interest 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 recognized as goodwill.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss in the Company's statement of financial position.

Goodwill*Goodwill arising on acquisitions prior to January 1, 2005*

Goodwill arising on an acquisition of net assets and operations of another entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalized goodwill arising on acquisitions prior to January 1, 2005, the Group has discontinued amortization from January 1, 2005 onwards, and such goodwill is tested for impairment annually, and whether there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after January 1, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Impairment testing on capitalized goodwill

For the purpose of impairment testing, goodwill arising from acquisition is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment at the end of each reporting period, and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On subsequent disposal of subsidiaries, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Discount on acquisition

A discount on acquisition arising from acquisition of subsidiaries or associates represents the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the

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relevant subsidiaries over the cost of the acquisition. The discount on acquisition is recognized immediately in profit or loss.

Share-based payment transactions*Share options granted to the employees after November 7, 2002 and vested on or after January 1, 2005*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve will be transferred to the share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based compensation reserve will be transferred to retained profits.

Share options granted to employees after November 7, 2002 and vested before January 1, 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognized in the consolidated statements of comprehensive income in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Fixed assets

Fixed assets other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of fixed assets, other than construction in progress over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives are as follows:

Land and buildings	Over the unexpired term of lease
Plant and machinery	3 to 40 years
Logistic equipment	10 to 40 years
Others	3 to 35 years

Construction in progress includes fixed assets in the course of construction for production or administrative purposes or for the purposes not yet determined and are carried at cost less accumulated impairment losses, if any. Cost includes all construction expenditure, professional fees, borrowing cost capitalized and other relevant expenses directly attributable to such projects. Construction in progress is classified to the appropriate category of fixed assets when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceed and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year/period in which the item is derecognized.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year/period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year/period in which the item is derecognized.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gain or loss arising from derecognition of mining right is measured at the difference between the net disposal proceed and its carrying amount and is recognized in the consolidated statements of comprehensive income when it is derecognized.

Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interest in an associate is carried in the consolidated statements of financial position at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Prepaid lease payments

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as finance lease and accounted for as fixed assets. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight-line basis.

Impairment (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Assets and disposal groups classified as held for sale are measured at the lower of the previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue or turnover 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.

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

Service income is recognized when services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year/period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years/periods, and it further excludes income and expense items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position 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 recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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/period when the liability is settled or the asset is realized. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the Group should purchase or construct non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the year/period in which they become receivable.

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. 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 recognized in profit or loss in the year/period 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/period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations are treated as assets and liabilities of that foreign operations and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in the translation reserve.

Leases

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

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The Group as lessor

Rental income from operating leases is recognized in the consolidated statements of comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over lease term on a straight-line basis.

The Group as lessee

Rental expense arising from operating leases is recognized in the consolidated statements of comprehensive income on a straight-line basis over the periods of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated and the Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets comprise of loans and receivables and available for sale investments. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including retention monies receivable, amount due from immediate holding company/an intermediate holding company/fellow subsidiaries, trade and other receivables, pledged bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss (see accounting policy on impairment of financial assets below)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment of financial assets below)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occur after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to immediate holding company/ minority shareholders of subsidiaries/a fellow subsidiary and bank loans are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial asset and recognize a collateralized borrowing for proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration received or receivable is recognized in profit or loss.

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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 when employees have rendered service entitling them to the contributions.

Provision for other employee benefits are recognized when the Group has a present obligation to provide such benefits to its employee and is measured at the directors' best estimate of the future obligations discounted to its present value where the effect is material.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

4. 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 December 31, 2006, 2007 and 2008 and June 30, 2009, the carrying amount of goodwill are HK\$45,113,000, HK\$53,329,000, HK\$62,841,000 and HK\$62,838,000, respectively. Details of the recoverable amount calculation are disclosed in note 20.

Deferred tax assets

The realizability 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 reversal of deferred tax assets would be recognized in the consolidated statements of comprehensive income for the year/period in which such a reversal takes place. As at December 31, 2006, 2007 and 2008 and June 30, 2009, the carrying amount of deferred tax assets is HK\$24,132,000, HK\$8,831,000, HK\$9,616,000 and HK\$9,902,000, respectively.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured on the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). As at December 31, 2006, 2007 and 2008 and June 30, 2009, the carrying amount of trade receivables are HK\$557,974,000 (net of allowance for doubtful debts of HK\$40,476,000), HK\$649,259,000 (net of allowance for doubtful debts of HK\$92,381,000), HK\$638,156,000 (net of allowance for doubtful debts of HK\$72,169,000) and HK\$625,233,000 (net of allowance for doubtful debts of HK\$53,253,000), respectively (see note 27).

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5. TURNOVER AND SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies conform with HKFRS, that are regularly reviewed by the chief executive officer in order to allocate resources to the reportable segments and to assess their performance.

The Group's reportable segments under HKFRS 8 are as follows:

Cement — manufacture and sale of cement and related products

Concrete — manufacture and sale of concrete and related products

Precast products — manufacture and sale of precast and related products

During the year ended December 31, 2007, the Group disposed of the entire equity interests in CR Precast to Smooth Concept and as a result, the Precast products segment is presented as discontinued operation.

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

During the Track Record Period, none of the Group's customer contribute to more than 10% of the Group's turnover. In the opinion of the directors, the Group did not rely on any major customers during the Track Record Period.

Segment results represent the profits earned by each segment without allocation of central administration costs, directors' salaries, share of result of an associate, interest income and finance costs.

The information of segment results are as follows:

For the year ended December 31, 2006

	<u>Continuing operations</u>				<u>Discontinued operation</u>		
	<u>Cement</u>	<u>Concrete</u>	<u>Elimination</u>	<u>Total</u>	<u>Precast products</u>	<u>Elimination</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
TURNOVER							
External sales	1,319,330	792,365	—	2,111,695	217,442	—	2,329,137
Inter-segment sales	177,547	108	(177,655)	—	—	—	—
	<u>1,496,877</u>	<u>792,473</u>	<u>(177,655)</u>	<u>2,111,695</u>	<u>217,442</u>	<u>—</u>	<u>2,329,137</u>

Inter-segment sales are charged at prevailing market prices.

RESULTS

Segment results	<u>129,844</u>	<u>60,974</u>	<u>—</u>	190,818	5,826	—	196,644
Interest income				7,969	11	(3,547)	4,433
Finance costs				(100,066)	(3,547)	3,547	(100,066)
Unallocated corporate expenses				(13,958)	—	—	(13,958)
Share of result of an associate				(6)	—	—	(6)
Profit before taxation				<u>84,757</u>	<u>2,290</u>	<u>—</u>	<u>87,047</u>
Taxation				<u>(2,205)</u>	<u>(4,792)</u>	<u>—</u>	<u>(6,997)</u>
Profit (loss) for the year				<u>82,552</u>	<u>(2,502)</u>	<u>—</u>	<u>80,050</u>

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For the year ended December 31, 2007

	Continuing operations				Discontinued operation		
	Cement	Concrete	Elimination	Total	Precast products	Elimination	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
TURNOVER							
External sales	2,427,981	1,315,174	—	3,743,155	257,140	—	4,000,295
Inter-segment sales . .	251,673	2,718	(254,391)	—	—	—	—
	<u>2,679,654</u>	<u>1,317,892</u>	<u>(254,391)</u>	<u>3,743,155</u>	<u>257,140</u>	<u>—</u>	<u>4,000,295</u>

Inter-segment sales are charged at prevailing market prices.

RESULTS							
Segment results	457,888	123,510	—	581,398	3,543	—	584,941
Interest income				6,606	53	(2,542)	4,117
Finance costs				(148,215)	(2,542)	2,542	(148,215)
Unallocated corporate expenses				(52,019)	—	—	(52,019)
Share of result of an associate				(5)	675	—	670
Profit before taxation				387,765	1,729	—	389,494
Taxation				(28,951)	384	—	(28,567)
Profit for the year				<u>358,814</u>	<u>2,113</u>	<u>—</u>	<u>360,927</u>

For the year ended December 31, 2008

	Continuing operations			
	Cement	Concrete	Elimination	Total
	HKS'000	HKS'000	HKS'000	HKS'000
TURNOVER				
External sales	4,068,089	1,713,189	—	5,781,278
Inter-segment sales	356,622	39	(356,661)	—
	<u>4,424,711</u>	<u>1,713,228</u>	<u>(356,661)</u>	<u>5,781,278</u>

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	802,155	167,299	—	969,454
Interest income				5,641
Finance costs				(123,592)
Unallocated corporate expenses				(28,654)
Share of result of an associate				(1)
Profit before taxation				822,848
Taxation				(39,101)
Profit for the year				<u>783,747</u>

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For the six months ended June 30, 2009

	Continuing operations			
	Cement	Concrete	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER				
External sales	2,005,149	733,590	—	2,738,739
Inter-segment sales	165,456	—	(165,456)	—
	<u>2,170,605</u>	<u>733,590</u>	<u>(165,456)</u>	<u>2,738,739</u>

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	382,119	108,466	—	490,585
Interest income				1,474
Finance costs				(85,369)
Unallocated corporate expenses				(17,098)
Profit before taxation				389,592
Taxation				(19,986)
Profit for the period				<u>369,606</u>

For the six months ended June 30, 2008 (unaudited)

	Continuing operations			
	Cement	Concrete	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER				
External sales	1,757,072	846,890	—	2,603,962
Inter-segment sales	207,680	—	(207,680)	—
	<u>1,964,752</u>	<u>846,890</u>	<u>(207,680)</u>	<u>2,603,962</u>

Inter-segment sales are charged at prevailing market prices.

RESULTS				
Segment results	539,376	89,357	—	628,733
Interest income				2,828
Finance costs				(61,543)
Unallocated corporate expenses				(12,190)
Share of result of an associate				(1)
Profit before taxation				557,827
Taxation				(21,220)
Profit for the period				<u>536,607</u>

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Information of segment assets and segment liabilities are as follows:

Consolidated statements of financial position

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Assets				
Segment assets				
— Cement	4,653,674	6,126,737	9,007,878	11,523,032
— Concrete	695,813	976,345	1,108,644	1,174,989
— Precast products	195,117	—	—	—
	5,544,604	7,103,082	10,116,522	12,698,021
Interest in an associate	54	49	48	48
Deferred tax assets	24,132	8,831	9,616	9,902
Taxation recoverable	—	—	36,961	4,920
Unallocated corporate assets (Note a)	440,373	509,828	530,313	2,455,857
Consolidated total assets	<u>6,009,163</u>	<u>7,621,790</u>	<u>10,693,460</u>	<u>15,168,748</u>
Liabilities				
Segment liabilities				
— Cement	708,574	962,205	1,165,814	1,319,433
— Concrete	162,685	307,891	328,337	317,213
— Precast products	36,910	—	—	—
	908,169	1,270,096	1,494,151	1,636,646
Tax liabilities	52,708	46,926	42,120	45,302
Unallocated corporate liabilities (Note b)	2,896,812	3,581,435	4,755,945	8,720,943
Consolidated total liabilities	<u>3,857,689</u>	<u>4,898,457</u>	<u>6,292,216</u>	<u>10,402,891</u>

Notes:

- (a) Unallocated corporate assets represent cash and bank balances, pledged bank deposits, deposits for acquisition of an associate and assets of the headquarter.
- (b) Unallocated corporate liabilities represent bank loans, amount due to immediate holding company and other payables of the headquarter. The bank loans and amount due to immediate holding company are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

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Other information

For the year ended December 31, 2006

	Continuing operations				Discontinued operations	Consolidated
	Cement	Concrete	Corporate level	Total	Precast products	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Additions to fixed assets	1,278,324	70,396	150	1,348,870	5,527	1,354,397
Additions to mining rights	5,644	—	—	5,644	—	5,644
Decrease in deposits for acquisition of fixed assets . . .	253,691	—	—	253,691	—	253,691
Depreciation of fixed assets . . .	143,748	31,099	192	175,039	10,665	185,704
Allowance for doubtful debts	12,647	9,187	—	21,834	—	21,834
Amortization of mining rights	1,626	—	—	1,626	—	1,626
Release of prepaid lease payments	3,265	—	—	3,265	—	3,265
(Gain) loss on disposal of fixed assets	(1,200)	7,552	—	6,352	—	6,352

For the year ended December 31, 2007

	Continuing operations				Discontinued operations	Consolidated
	Cement	Concrete	Corporate level	Total	Precast products	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Additions to fixed assets	1,243,099	112,000	339	1,355,438	5,020	1,360,458
Additions to mining rights	2,234	—	—	2,234	—	2,234
Decrease in deposits for acquisition of fixed assets . .	62,834	—	—	62,834	—	62,834
Depreciation of fixed assets . . .	195,626	36,451	335	232,412	10,146	242,558
Allowance for doubtful debts	15,038	33,378	—	48,416	3,050	51,466
Amortization of mining rights	2,045	—	—	2,045	—	2,045
Release of prepaid lease payments	4,106	—	—	4,106	—	4,106
Impairment loss recognized in respect of fixed assets	12,379	—	—	12,379	—	12,379
Loss on disposal of fixed assets	5,248	3,510	10	8,768	6	8,774

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For the year ended December 31, 2008

	Continuing operations				Discontinued operations	Consolidated
	Cement	Concrete	Corporate	Total	Precast products	Total
			level			
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Additions to fixed assets	2,522,682	105,494	134	2,628,310	—	2,628,310
Additions to mining rights	13,411	—	—	13,411	—	13,411
Increase in deposits for acquisition of fixed assets . . .	46,699	—	—	46,699	—	46,699
Depreciation of fixed assets . . .	275,494	45,703	167	321,364	—	321,364
Reversal of allowance for doubtful debts	(12,165)	(10,698)	—	(22,863)	—	(22,863)
Amortization of mining rights	2,654	—	—	2,654	—	2,654
Release of prepaid lease payments	6,684	—	—	6,684	—	6,684
Impairment loss on other receivables	12,329	—	—	12,329	—	12,329
Impairment loss recognized in respect of goodwill	—	1,301	—	1,301	—	1,301
(Gain) loss on change in fair value of investment properties	(56,040)	1,000	—	(55,040)	—	(55,040)
Loss (gain) on disposal of fixed assets	1,907	1,517	(6)	3,418	—	3,418

For the six months ended June 30, 2009

	Continuing operations				Discontinued operations	Consolidated
	Cement	Concrete	Corporate	Total	Precast products	Total
			level			
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Additions to fixed assets	2,530,618	84,913	1,786	2,617,317	—	2,617,317
Additions to mining rights	157	—	—	157	—	157
Increase in deposits for acquisition of fixed assets . . .	6,870	—	—	6,870	—	6,870
Additions to deposits for acquisition of an associate . .	—	—	237,064	237,064	—	237,064
Additions to prepaid lease payments	33,043	5,405	—	38,448	—	38,448
Depreciation of fixed assets . . .	159,334	25,755	114	185,203	—	185,203
Reversal of allowance for doubtful debts	(497)	(17,272)	—	(17,769)	—	(17,769)
Amortization of mining rights	1,365	—	—	1,365	—	1,365
Release of prepaid lease payments	3,777	—	—	3,777	—	3,777
Loss on change in fair value of investment properties	—	1,000	—	1,000	—	1,000
Loss (gain) on disposal of fixed assets	1,000	82	(23)	1,059	—	1,059

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For the six months ended June 30, 2008 (unaudited)

	Continuing operations				Discontinued operations	Consolidated
	Cement	Concrete	Corporate level	Total	Precast products	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Additions to fixed assets	852,450	62,904	34	915,388	—	915,388
Additions to mining rights	12,251	—	—	12,251	—	12,251
Increase in deposits for acquisition of fixed assets	5,218	—	—	5,218	—	5,218
Depreciation of fixed assets	133,315	22,804	83	156,202	—	156,202
Reversal of allowance for doubtful debts	(2,123)	(4,601)	—	(6,724)	—	(6,724)
Gain on disposal of fixed assets . . .	(145)	—	—	(145)	—	(145)
Amortization of mining rights	1,241	—	—	1,241	—	1,241
Release of prepaid lease payments	3,059	—	—	3,059	—	3,059
Impairment loss on other receivables	12,146	—	—	12,146	—	12,146
Impairment loss recognized in respect of goodwill	—	1,301	—	1,301	—	1,301

Turnover from external customers attributed to the Group by location of customers is presented as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Turnover					
— Chinese Mainland	1,846,423	3,376,318	5,379,432	2,415,560	2,549,007
— Hong Kong	482,714	623,977	401,846	188,402	189,732
	<u>2,329,137</u>	<u>4,000,295</u>	<u>5,781,278</u>	<u>2,603,962</u>	<u>2,738,739</u>

Non-current assets other than deferred tax assets by location of assets is presented as follows:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Total non-current assets other than deferred tax assets				
— Chinese Mainland	4,276,664	5,620,642	8,537,803	11,384,116
— Hong Kong	226,071	218,176	244,657	206,175
	<u>4,502,735</u>	<u>5,838,818</u>	<u>8,782,460</u>	<u>11,590,291</u>

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6. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations:					
Interest income	7,969	6,606	5,643	2,828	1,474
Exchange gain	18,771	15,480	183,619	182,524	—
Government incentives (Note 50)	44,141	35,147	52,086	22,727	25,027
Sales of scrap materials	3,057	2,378	4,466	2,299	2,788
Compensation received from insurance	1,813	—	1,838	—	1,988
Service income	3,913	6,976	2,165	1,969	—
Rental income	—	—	8,513	3,927	4,976
Others	6,112	2,636	7,169	3,809	4,532
	<u>85,776</u>	<u>69,223</u>	<u>265,499</u>	<u>220,083</u>	<u>40,785</u>
Discontinued operations:					
Interest income	11	53	—	—	—
Others	1,112	2,532	—	—	—
	<u>1,123</u>	<u>2,585</u>	<u>—</u>	<u>—</u>	<u>—</u>
Less: Elimination of intercompany interest income	<u>(3,547)</u>	<u>(2,542)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>83,352</u>	<u>69,266</u>	<u>265,499</u>	<u>220,083</u>	<u>40,785</u>

7. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations:					
Interests on					
— Bank loans wholly repayable within five years	126,305	157,826	166,882	56,630	155,881
— Amount due to immediate holding company	—	25,589	14,088	14,088	—
— Convertible bonds	11,699	—	—	—	—
	<u>138,004</u>	<u>183,415</u>	<u>180,970</u>	<u>70,718</u>	<u>155,881</u>
Less: Amount capitalized to fixed assets	<u>(37,938)</u>	<u>(35,200)</u>	<u>(57,378)</u>	<u>(9,175)</u>	<u>(70,512)</u>
	<u>100,066</u>	<u>148,215</u>	<u>123,592</u>	<u>61,543</u>	<u>85,369</u>
Discontinued operations:					
Interests on amount due to immediate holding company	3,547	2,542	—	—	—
Less: Elimination of intercompany interest expenses	<u>(3,547)</u>	<u>(2,542)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>100,066</u>	<u>148,215</u>	<u>123,592</u>	<u>61,543</u>	<u>85,369</u>

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	%	%	%	%	%
Capitalization rate of borrowing costs to expenditure on qualifying assets	<u>5.0</u>	<u>5.6</u>	<u>6.1</u>	<u>5.9</u>	<u>5.2</u>

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8. PROFIT BEFORE TAXATION

	Continuing operations			Discontinued operations			Consolidated			
	Six months ended June 30,			Six months ended June 30,			Six months ended June 30,			
	Year ended December 31,	2008	2009	Year ended December 31,	2008	2009	Year ended December 31,	2008	2009	
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)			(unaudited)			(unaudited)			
Profit before taxation has been arrived at after charging (crediting):	4,267	5,301	7,257	—	—	—	4,267	5,301	7,257	5,995
Directors' emoluments (Note 9)	—	—	—	—	—	—	—	—	—	—
Pension costs and mandatory provident fund contributions	5,322	8,043	22,337	3,904	1,378	—	9,226	9,421	22,337	14,880
Other staff costs	159,527	267,785	344,649	36,268	48,325	—	195,795	316,110	344,649	213,170
Total staff costs	169,116	281,129	374,243	40,172	49,703	—	209,288	330,832	374,243	234,045
Amortization of mining rights (included in general and administrative expenses)	1,626	2,045	2,654	—	—	—	1,626	2,045	2,654	1,365
Auditor's remuneration	2,572	2,477	3,179	85	110	—	2,657	2,587	3,179	1,447
Allowance (reversal of allowance) for doubtful debts	21,834	48,416	(22,863)	—	3,050	—	21,834	51,466	(22,863)	(17,769)
Depreciation of fixed assets	175,039	232,412	321,364	10,665	10,146	—	185,704	242,558	321,364	185,203
Impairment loss recognized in respect of fixed assets	—	12,379	—	—	—	—	—	12,379	—	—
Impairment loss on other receivables	—	—	12,329	—	—	—	—	—	12,329	—
Impairment loss recognized in respect of goodwill	—	—	1,301	—	—	—	—	—	1,301	—
Loss (gain) on disposal of fixed assets	6,352	8,768	3,418	—	6	—	6,352	8,774	3,418	(145)
Operating lease payment in respect of	—	—	—	—	—	—	—	—	—	—
— rented premises	11,629	14,661	18,468	9,604	10,145	—	21,233	24,806	18,468	8,431
— motor vehicles	7,260	22,608	32,359	—	—	—	7,260	22,608	32,359	17,209
Release of prepaid lease payments (included in general and administrative expenses)	3,265	4,106	6,684	—	—	—	3,265	4,106	6,684	3,059
	<u>3,265</u>	<u>4,106</u>	<u>6,684</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,265</u>	<u>4,106</u>	<u>6,684</u>	<u>3,059</u>
										<u>3,777</u>

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

For the year ended December 31, 2006

Name of director	Directors' fees	Salaries and allowances	Pension costs and mandatory provident fund	Discretionary bonus	Share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Qiao Shibo ⁽¹⁾	—	—	—	—	—	—
Shi Shanbo ⁽²⁾	—	666	26	—	—	692
Zhou Junqing	—	879	36	—	—	915
Zhou Longshan	—	865	70	—	—	935
Sun Mingquan ⁽¹⁾	—	764	34	—	—	798
Zheng Yi ⁽³⁾	—	721	32	—	—	753
Jiang Wei ⁽⁷⁾	—	—	—	—	—	—
Keung Chi Wang, Ralph ⁽⁶⁾	—	—	—	—	—	—
Chan Mo Po, Paul ⁽⁴⁾	58	—	—	—	—	58
Lin Zongshou ⁽⁴⁾	58	—	—	—	—	58
Lui Pui Kee, Francis ⁽⁴⁾	58	—	—	—	—	58
	<u>174</u>	<u>3,895</u>	<u>198</u>	<u>—</u>	<u>—</u>	<u>4,267</u>

For the year ended December 31, 2007

Name of director	Directors' fees	Salaries and allowances	Pension costs and mandatory provident fund	Discretionary bonus	Share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Qiao Shibo ⁽¹⁾	—	—	—	—	—	—
Zhou Junqing	—	940	39	691	—	1,670
Zhou Longshan	—	879	70	796	—	1,745
Sun Mingquan ⁽¹⁾	—	793	35	520	—	1,348
Zheng Yi ⁽³⁾	—	55	3	480	—	538
Jiang Wei ⁽⁷⁾	—	—	—	—	—	—
Keung Chi Wang, Ralph ⁽⁶⁾	—	—	—	—	—	—
Song Lin ⁽⁵⁾	—	—	—	—	—	—
	<u>—</u>	<u>2,667</u>	<u>147</u>	<u>2,487</u>	<u>—</u>	<u>5,301</u>

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For the year ended December 31, 2008

Name of director	Directors' fees	Salaries and allowances	Pension costs and mandatory provident fund	Discretionary bonus	Share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Qiao Shibo ⁽¹⁾	—	—	—	—	—	—
Zhou Junqing	—	1,611	64	1,084	—	2,759
Zhou Longshan	—	1,101	70	790	—	1,961
Sun Mingquan ⁽¹⁾	—	449	21	630	—	1,100
Jiang Wei ⁽⁷⁾	—	—	—	—	—	—
Song Lin ⁽⁵⁾	—	—	—	—	—	—
Lau Chung Kwok Robert ⁽⁸⁾	—	724	51	500	—	1,275
Li Fuzho ⁽⁹⁾	—	—	—	—	—	—
Wei Bin ⁽⁹⁾	—	—	—	—	—	—
Du Wenmin ⁽⁹⁾	—	—	—	—	—	—
Zeng Xuemin ⁽¹⁰⁾	54	—	—	—	—	54
Ip Shu Kwan Stephen ⁽¹⁰⁾	54	—	—	—	—	54
Lam Chi Yuen ⁽¹⁰⁾	54	—	—	—	—	54
Keung Chi Wang Ralph ⁽⁶⁾	—	—	—	—	—	—
	<u>162</u>	<u>3,885</u>	<u>206</u>	<u>3,004</u>	<u>—</u>	<u>7,257</u>

For the six months ended June 30, 2009

Name of director	Directors' fees	Salaries and allowances	Pension costs and mandatory provident fund	Discretionary bonus	Share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Zhou Junqing	—	881	55	1,446	—	2,382
Zhou Longshan	—	650	50	1,325	—	2,025
Lau Chung Kwok, Robert ⁽⁸⁾	—	495	43	843	—	1,381
Li Fuzho ⁽⁹⁾	—	—	—	—	—	—
Wei Bin ⁽⁹⁾	—	—	—	—	—	—
Du Wenmin ⁽⁹⁾	—	—	—	—	—	—
Zeng Xuemin ⁽¹⁰⁾	69	—	—	—	—	69
Ip Shu Kwan Stephen ⁽¹⁰⁾	69	—	—	—	—	69
Lam Chi Yuen ⁽¹⁰⁾	69	—	—	—	—	69
	<u>207</u>	<u>2,026</u>	<u>148</u>	<u>3,614</u>	<u>—</u>	<u>5,995</u>

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For the six months ended June 30, 2008 (unaudited)

Name of director	Directors' fees	Salaries and allowances	Pension costs and mandatory provident fund	Discretionary bonus	Share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Qiao Shibo ⁽¹⁾	—	—	—	—	—	—
Zhou Junqing	—	502	28	—	—	530
Zhou Longshan	—	437	35	—	—	472
Sun Mingquan ⁽¹⁾	—	371	17	—	—	388
Song Lin ⁽⁵⁾	—	—	—	—	—	—
Jiang Wei ⁽⁷⁾	—	—	—	—	—	—
Keung Chi Wang, Ralph ⁽⁶⁾	—	—	—	—	—	—
Lau Chung Kwok, Robert ⁽⁸⁾	—	191	15	—	—	206
	—	<u>1,501</u>	<u>95</u>	—	—	<u>1,596</u>

- (1) Qiao Shibo and Sun Mingquan were the executive directors of the Company for the two years ended December 31, 2007 and have resigned in August 2008.
- (2) Shi Shanbo was an executive director of the Company up to December 2006.
- (3) Zheng Yi was an executive director of the Company for the year ended December 31, 2006 and has resigned in April 2007.
- (4) Chan Mo Po, Paul, Lin Zongshou, Lui Pui Kee, Francis were the independent non-executive directors of the Company when the Company was listed on the Stock Exchange in 2006. All these independent non-executive directors have resigned when the Company was delisted.
- (5) Song Lin was appointed as the director of the Company during the year ended December 31, 2007 and has resigned in August 2008.
- (6) Keung Chi Wang, Ralph was a non-executive director of the Company for the two years ended December 31, 2007 and has resigned in February 2008.
- (7) Jiang Wei was a non-executive director of the Company for the two years ended December 31, 2007 and has resigned in August 2008.
- (8) Lau Chung Kwok, Robert was appointed as the director of the Company in April 2008.
- (9) Li Fuzho, Wei Bin and Du Wenmin were appointed as non-executive directors of the Company in August 2008.
- (10) Zeng Xuemin, Ip Shu Kwan Stephen and Lam Chi Yuen were appointed as independent non-executive directors of the Company in August 2008.

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(b) Employees' emoluments

The five highest paid employees in the Group, included two, three, three, nil and three directors of the Company for the year ended December 31, 2006, December 31, 2007, December 31, 2008 and the six months ended June 30, 2008 and June 30, 2009, respectively. The details of the emoluments paid to the remaining individuals for the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	3,632	3,032	2,096	3,378	2,677
Pension cost and mandatory provident fund contributions	181	122	90	215	72
	<u>3,813</u>	<u>3,154</u>	<u>2,186</u>	<u>3,593</u>	<u>2,749</u>

Their emoluments were within the following bands:

	Number of employees				
	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Nil to HK\$1,000,000	1	—	1	4	—
HK\$1,000,001 to HK\$1,500,000	2	—	1	1	2
HK\$1,500,001 to HK\$2,000,000	—	2	—	—	—
	<u>3</u>	<u>2</u>	<u>2</u>	<u>5</u>	<u>2</u>

During the Track Record Period, no emoluments has been paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

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	Continuing operations				Discontinued operations				Consolidated			
	Year ended December 31,		Six months ended June 30,		Year ended December 31,		Six months ended June 30,		Year ended December 31,		Six months ended June 30,	
	2007	2008	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)				(unaudited)				(unaudited)	
The charge (credit) comprise:												
Current taxation												
Hong Kong Profits												
Tax	8,499	16,482	16,538	8,089	6,378	3,351	61	—	11,850	16,543	16,538	8,089
Chinese Mainland												6,378
Enterprise Income												
Tax	2,263	4,918	13,115	10,658	9,886	—	—	—	2,263	4,918	13,115	10,658
Under (over) provision												
in prior years	2,094	(11)	1,012	1,012	1,954	2,915	(445)	—	5,009	(456)	1,012	1,954
	12,856	21,389	30,665	19,759	18,218	6,266	(384)	—	19,122	21,005	30,665	19,759
Deferred taxation (Note 23)												
Hong Kong	(7,175)	744	(748)	(439)	2,054	(1,474)	—	—	(8,649)	744	(748)	2,054
Chinese Mainland	(3,476)	6,465	10,541	3,257	(286)	—	—	—	(3,476)	6,465	10,541	3,257
	(10,651)	7,209	9,793	2,818	1,768	(1,474)	—	—	(12,125)	7,209	9,793	2,818
Attributable to change in tax rate	—	353	(1,357)	(1,357)	—	—	—	—	—	353	(1,357)	(1,357)
	(10,651)	7,562	8,436	1,461	1,768	(1,474)	—	—	(12,125)	7,562	8,436	1,461
	2,205	28,951	39,101	21,220	19,986	4,792	(384)	—	6,997	28,567	39,101	21,220
												19,986

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On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the proposed reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the Hong Kong Profits Tax for the year ended December 31, 2008 and for the six months ended June 30, 2008 and 2009. The Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the years ended December 31, 2006 and 2007.

Chinese Mainland Enterprise Income Tax represents the income tax in the Chinese Mainland which is calculated at the prevailing tax rate on the taxable income of the group entities in the Chinese Mainland.

According to Chinese Mainland tax laws and regulations, certain subsidiaries, which are established in the Chinese Mainland, are exempted from Chinese Mainland Foreign Enterprise Income Tax "FEIT" for the first two years starting from their first profit-making year after offsetting the accumulated losses brought forward from previous five years, followed by a 50% reduction on the FEIT for the next three years ("Tax Holiday").

On March 16, 2007, The Law of the Chinese Mainland on Enterprise Income Tax (the "New Tax Law") was promulgated by Order No. 63 of the President of the Chinese Mainland. On December 6, 2007, the State Council of the Chinese Mainland issued Implementation Regulations of the New Tax Law, which became effective on January 1, 2008 and superseded the Chinese Mainland Foreign Invested Enterprise and Foreign Enterprise Income Tax Law ("FEIT") and the Provisional Regulations on Enterprise Income Tax of the Chinese Mainland. The New Tax Law consolidates the previous two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified enterprise income tax rate of 25% for both types of enterprises. Under the New Tax Law, certain subsidiaries that previously enjoyed a preferential tax rate prior to January 1, 2008 will gradually transition to the new tax rate over five years from January 1, 2008. Certain subsidiaries that previously enjoyed the Tax Holiday will continue to enjoy such preferential tax treatment until the expiry of such prescribed period. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realized or the liability is settled.

Deferred taxation amounting to HK\$37 million, HK\$25 million and HK\$38 million have not been provided for in the Financial Information in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries established in the Chinese Mainland during the year ended December 31, 2008 and during the six months ended June 30, 2008 and 2009, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The subsidiaries incorporated in the British Virgin Islands are exempted from income tax because no assessable profit is generated in their respective jurisdiction and they are not subject to any tax in other jurisdictions.

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Taxation arising in the Chinese Mainland is calculated at the following income tax rates.

	Year ended December 31,			Six months ended		Notes
				June 30,		
	2006	2007	2008	2008	2009	
Beihai Concrete	—	—	—	—	12.5%	(a)
Cement Investments	15.0%	15.0%	18.0%	18.0%	20.0%	(b)
Dongguan Concrete	12.0%	12.0%	25.0%	25.0%	25.0%	(c)
Dongguan Fengcheng Concrete	—	—	—	—	12.5%	(d)
Dongguan Huarun Cement	12.0%	12.0%	25.0%	25.0%	25.0%	(c)
Dongguan Precast	12.0%	12.0%	N/A ^(ac)	N/A ^(ac)	N/A ^(ac)	(e)
Fangchenggang Cement	—	—	—	—	—	(f)
Fangchenggang Concrete	—	—	—	—	—	(f)
Fengkai Cement	N/A ^(ad)	—	—	—	—	(g)
Fengkai Concrete	N/A ^(ad)	N/A ^(ad)	—	N/A ^(ad)	25.0%	(h)
Fengkai Quarry	N/A ^(ad)	N/A ^(ad)	—	N/A ^(ad)	25.0%	(h)
Foshan Concrete	—	—	—	—	12.5%	(i)
Foshan Shunan Concrete	—	12.0%	12.5%	12.5%	12.5%	(j)
Fuchuan Cement	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(k)
Fujian Concrete	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(l)
Fuzhou Cement	N/A ^(ad)	—	—	—	—	(m)
Fuzhou Concrete	N/A ^(ad)	—	—	—	—	(m)
Fuzhou Development Zone	N/A ^(ad)	—	—	—	—	(m)
Gaoyao Concrete	N/A ^(ad)	N/A ^(ad)	N/A ^(ad)	N/A ^(ad)	—	(p)
Guangxi Concrete	—	—	—	—	12.5%	(n)
Guigang Cement	—	—	7.5%	7.5%	7.5%	(o)
Guigang Concrete	N/A ^(ad)	N/A ^(ad)	—	N/A ^(ad)	25.0%	(h)
Guiping Cement	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(k)
Hepu Cement	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(k)
Heyuan Concrete	N/A ^(ad)	—	—	—	—	(g)
Hongshuihe Cement	7.5%	15.0%	15.0%	15.0%	15.0%	(q)
Hongshuihe Joint Stock	33.0%	33.0%	25.0%	25.0%	25.0%	(r)
Hongshuihe Pier Store	33.0%	33.0%	25.0%	25.0%	N/A ^(af)	(s)
Jiangmen Concrete	—	—	—	—	12.5%	(d)
Jiangmen Tangxia Concrete	N/A ^(ad)	—	—	—	—	(g)
Laibin Concrete	N/A ^(ad)	N/A ^(ad)	N/A ^(ad)	N/A ^(ad)	25.0%	(ag)
Liuzhou Concrete	N/A ^(ad)	—	—	—	—	(t)
Longyan Cement	N/A ^(ad)	N/A ^(ad)	N/A ^(ad)	N/A ^(ad)	25.0%	(ag)
Luchuan Cement	N/A ^(ad)	N/A ^(ad)	—	N/A ^(ad)	25.0%	(h)
Nanning Cement	—	—	—	—	—	(u)
Nanning Concrete	—	12.0%	12.5%	12.5%	12.5%	(v)
Nanning Qingxiu Concrete	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(k)
Nanning Xixiangtang Concrete	—	—	12.5%	12.5%	12.5%	(w)
Pingnan Cement	—	7.5%	7.5%	7.5%	7.5%	(x)
Qinzhou Concrete	N/A ^(ad)	—	—	—	—	(t)
Shangsi Cement	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(k)
Shantou Cement	N/A ^(ad)	N/A ^(ad)	—	—	—	(y)
Shengcheng Concrete	7.5%	7.5%	9.0%	9.0%	20.0%	(z)
Shenzhen Concrete	7.5%	15.0%	18.0%	18.0%	20.0%	(aa)
Tianyang Cement	N/A ^(ad)	N/A ^(ad)	—	N/A ^(ad)	25.0%	(h)
Wenwei Concrete	15.0%	15.0%	18.0%	18.0%	20.0%	(b)
Wuxuan Cement	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(k)

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	Year ended December 31,			Six months ended June 30,		Notes
	2006	2007	2008	2008	2009	
Zhanjiang Cement	12.0%	12.0%	25.0%	25.0%	25.0%	(ab)
Zhangzhou Cement	N/A ^(ad)	N/A ^(ad)	—	N/A ^(ad)	25.0%	(h)
Zhaoqing Concrete	N/A ^(ad)	N/A ^(ad)	25.0%	25.0%	25.0%	(ac)

Notes:

- (a) Beihai Concrete is a Wholly Foreign-owned Enterprise ("WFOE") registered in Guangxi Province, which is subject to FEIT at a rate of 15% for years 2006 and 2007 and 25% for year 2008. It was not subject to tax in 2006 as it incurred tax loss during that year. Year 2007 was its first profit-making year and the first year of the Tax Holiday.
- (b) Cement Investments and Wenwei Concrete are WFOEs registered in Shenzhen Special Economic Region, which are subject to FEIT at a rate of 15% for years 2006 and 2007 and 18% for year 2008 and 20% for the six months ended June 30, 2009.
- (c) Dongguan Concrete and Dongguan Huarun Cement are WFOEs registered in Guangdong Province, which are subject to FEIT at half of the rate of 24% for years 2006 and 2007 under the Tax Holiday and 25% for year 2008 and six months ended June 30, 2009. Both Dongguan Huarun Cement's and Dongguan Concrete's first profit-making year were year 2003.
- (d) Dongguan Fengcheng Concrete and Jiangmen Concrete are WFOEs registered in Guangdong Province, which are subject to FEIT at a rate of 24% for years 2006 and 2007, and 25% for year 2008 and six months ended June 30, 2009. They were not subject to tax in 2006 as they incurred tax loss during that year. Year 2007 was their first profit-making year and the first year of the Tax Holiday.
- (e) Dongguan Precast is a WFOE registered in Guangdong Province, which is subject to FEIT at half of the rate of 24% for years 2006 and 2007 under the Tax Holiday.
- (f) Fangchenggang Cement and Fangchenggang Concrete are WFOEs registered in Guangxi Province, which are subject to FEIT at a rate of 15% for years 2006 and 2007 and 25% for year 2008 and six months ended June 30, 2009. Both Fangchenggang Cement and Fangchenggang Concrete are not subject to tax for years 2006 and 2007 as they incurred tax losses during those two years. Year 2008 was the first profit-making year and the first year of the Tax Holiday.
- (g) Fengkai Cement, Heyuan Concrete and Jiangmen Tangxia Concrete, are WFOEs registered in Guangdong Province, which are subject to FEIT at a rate of 24% for year 2007 and 25% for year 2008 and six months ended June 30, 2009. They were not subject to tax for years 2007 and 2008, and six months ended June 30, 2009 as they incurred tax losses during those years/period.
- (h) Fengkai Concrete, Fengkai Quarry, Guigang Concrete, Luchuan Cement, Tianyang Cement and Zhangzhou Cement are WFOEs registered in Guangdong Province, which are subject to a rate of 25% for six months ended June 30, 2009. They were not subject to tax for year 2008 as they incurred tax losses during that year.

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- (i) Foshan Concrete is a WFOE registered in Guangdong Province, which is subject to FEIT at a rate of 24% for years 2006 and 2007 and 25% for year 2008 and six months ended June 30, 2009. It was not subject to tax in 2006 as it incurred tax losses during that year. Foshan Concrete started to enjoy the first year of the Tax Holiday in 2007.
- (j) Foshan Shunan Concrete is a WFOE registered in Guangdong Province, which is subject to FEIT at a rate of 24% for years 2006 and 2007 and 25% for year 2008 and six months ended June 30, 2009. Year 2006 was the second profit-making year and the second year of the Tax Holiday.
- (k) Fuchuan Cement, Guiping Cement, Hepu Cement, Nanning Qingxiu Concrete, Shangsi Cement and Wuxuan Cement are WFOEs registered in Guangxi Province, which are subject to a tax rate of 25% for year 2008 and six months ended June 30, 2009.
- (l) Fujian Concrete is a WFOE registered in Fujian Province, which is subject to a tax rate of 25% for year 2008 and six months ended June 30, 2009.
- (m) Fuzhou Cement, Fuzhou Concrete and Fuzhou Development Zone are WFOEs registered in Fujian Province, which are subject to FEIT at a rate of 24% for year 2007 and 25% for year 2008 and six months ended June 30, 2009. They were not subject to tax for years 2007 and 2008, and six months ended June 30, 2009 as they incurred tax losses during those years/period.
- (n) Guangxi Concrete is a WFOE registered in Guangxi Province, which is subject to FEIT at a rate of 15% for years 2006 and 2007, and 25% for year 2008 and six months ended June 30, 2009. It was not subject to tax in 2006 as it incurred tax loss during that year. Year 2007 was the first profit-making year and the first year of the Tax Holiday.
- (o) Guigang Cement is a WFOE registered in Guangxi Province, which is subject to FEIT at a rate of 15% from years 2006 to 2010 under the application of Western Development Policy implemented by Chinese Mainland government. Year 2006 was the first profit-making year and the first year of the Tax Holiday.
- (p) Gaoyao Concrete is WFOEs registered in Guangdong Province, which is subject to a tax rate of 25% for the six months ended June 30, 2009. It was not subject to tax during the six months ended June 30, 2009 as it incurred tax loss during the period.
- (q) Hongshuihe Cement is a WFOE registered in Guangxi Province, which is subject to FEIT at a rate of 15% from years 2006 to 2010 under the application of Western Development Policy implemented by Chinese Mainland government. Hongshuihe Cement started to enjoy the Tax Holiday in 2002.
- (r) Hongshuihe Joint Stock is a limited stock company registered in Guangxi Province, which is subject to FEIT at a rate of 33% for years 2006 and 2007 and 25% for year 2008 and six months ended June 30, 2009.
- (s) Hongshuihe Pier Store is a Sino-Foreign Equity Joint Venture Enterprise registered in Guangxi Province, which is subject to FEIT at a rate of 33% for years 2006 and 2007 and 25% for year 2008.
- (t) Liuzhou Concrete and Qinzhou Concrete are WFOEs registered in Guangxi Province, which are subject to FEIT at a rate of 33% for year 2007 and 25% for year 2008 and six months ended June 30, 2009. They were not subject to tax for years 2007 and 2008, and six months ended June 30, 2009 as they incurred tax losses during those years/period.

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- (u) Nanning Cement is a WFOE registered in Guangxi Province, which is subject to FEIT at a rate of 15% from years 2006 to 2010 under the application of Western Development Policy implemented by Chinese Mainland government. It was not subject to tax for years 2006 and 2007 as it incurred tax losses during those two years. Year 2008 is its first profit-making year and the first year of the Tax Holiday.
- (v) Nanning Concrete is a WFOE registered in Guangxi Province, which is subject to FEIT at half of the rates of 24% for year 2007 under the Tax Holiday and 25% for year 2008 and six months ended June 30, 2009. Year 2006 was its second profit-making year and second year under the Tax Holiday.
- (w) Nanning Xixiangtang Concrete is a WFOE registered in Guangxi Province, which is subject to FEIT at a rate of 24% for years 2006 and 2007 and 25% for year 2008 and six months ended June 30, 2009. Year 2006 was its first profit-making year and the first year of the Tax Holiday.
- (x) Pingnan Cement is a Sino-foreign Equity Joint Venture Enterprise registered in Guangxi Province, which is subject to FEIT at half of the rate of 15% from years 2007 to 2009 under the application of Western Development Policy implemented by Chinese Mainland government and the Tax Holiday. Year 2006 was its second profit-making year and the second year under the Tax Holiday.
- (y) Shantou Cement is a WFOE registered in Guangdong Province, which is subject to a tax rate of 25% for year 2008 and six months ended June 30, 2009. Year 2008 is its first profit-making year and the first year of the Tax Holiday.
- (z) Shengcheng Concrete is a WFOE registered in Shenzhen Special Economic Region, which is subject to FEIT at half of the rates of 15% for years 2006 and 2007 and 18% for year 2008 under the Tax Holiday. It is subject to FEIT at 20% for the six months ended June 30, 2009.
- (aa) Shenzhen Concrete is a WFOE registered in Shenzhen Special Economic Region, which is subject to FEIT at half of the rate of 15% for year 2006 under the Tax Holiday and at a rate of 15 % for year 2007, and 18% for year 2008 and 20% for six months ended June 30, 2009.
- (ab) Zhanjiang Cement is a Sino-Foreign Equity Joint Venture Enterprise registered in Guangxi Province, which is subject to FEIT at half of the rate of 24% for years 2006 and 2007 under the Tax Holiday and at a tax rate of 25% for year 2008 and six months ended June 30, 2009.
- (ac) Zhaoqing Concrete is a WFOE registered in Guangdong Province, which is subject to a tax rate of 25% for year 2008 and six months ended June 30, 2009.
- (ad) These companies were not yet established or acquired by the Group during the relevant financial year/period.
- (ae) Dongguan Precast was disposed of by the Group on December 28, 2007.
- (af) Hongshuihe Pier Store was disposed of by the Group during the six months ended June 30, 2009.
- (ag) Laibin Concrete and Longyan Cement are WFOEs registered in Guangdong Province, which are subject to a tax rate of 25% for six months ended June 30, 2009.

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

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before taxation					
Continuing operations	84,757	387,765	822,848	557,827	389,592
Discontinued operations	2,290	1,729	—	—	—
	<u>87,047</u>	<u>389,494</u>	<u>822,848</u>	<u>557,827</u>	<u>389,592</u>
Tax at the Hong Kong Profits Tax rate of 17.5% (16.5% for 2008 and 2009)	15,233	68,161	135,770	92,042	64,283
Tax effect of expenses that are not deductible in determining taxable profit (Note a)	6,903	15,695	13,913	13,764	3,830
Tax effect of incomes that are not taxable in determining taxable profit (Note b)	(4,790)	(4,600)	(40,862)	(32,586)	(2,395)
Tax effect of reduced tax rate under Tax Holiday	(21,282)	(74,734)	(78,384)	(54,161)	(67,642)
Tax effect of tax losses not recognized	8,528	16,609	7,898	4,027	15,425
Tax effect of utilization of tax losses previously not recognized	(1,376)	(1,241)	(4,052)	(5,220)	(871)
Tax effect of reversal of tax loss recognized in previous years (Note c)	—	9,669	—	—	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,228)	(889)	5,163	3,699	5,402
Decrease in the opening deferred tax assets resulting from a decrease in tax rate	—	353	316	316	—
Decrease in opening deferred tax liabilities resulting from a decrease in tax rate	—	—	(1,673)	(1,673)	—
Under (over) provision in prior years	5,009	(456)	1,012	1,012	1,954
Taxation expense for the year/period	<u>6,997</u>	<u>28,567</u>	<u>39,101</u>	<u>21,220</u>	<u>19,986</u>

Notes:

- (a) The amount mainly represents interest expenses to immediate holding company.
- (b) The amount mainly represents non-taxable interest income, exchange gain, sale of scrap materials and compensation received from insurance that are not taxable for tax purposes.
- (c) The deferred tax assets related to the tax losses recognized in previous years was reversed during the year ended December 31, 2007 as the management of the Group expected the utilization of such tax loss was remote.

Details of deferred taxation are set out in note 23.

11. RETIREMENT BENEFITS SCHEME

Employees in Hong Kong may be offered to participate in the Group's defined contribution retirement schemes or to join the Mandatory Provident Fund Scheme ("MPF"). The assets of the defined contribution retirement scheme are held separately in independently administered funds. The amount of contributions is based on a specified percentage of the basic salaries of employees and is charged to the consolidated statements of comprehensive income. Any forfeited contributions in respect of unvested

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benefits of staff leavers will be used to reduce the Group's contributions. There was no significant amount of unutilized forfeited contributions at the end of each reporting period. The assets under the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF.

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.

12. DIVIDENDS

On July 31, 2008, the directors proposed and paid interim dividend of approximately HK\$45,985,000 in respect of the year ended December 31, 2008.

13. EARNINGS PER SHARE

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

	Year ended December 31,			Six months ended	Six months ended
				June 30,	June 30,
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Earnings</u>					
Earnings attributable to equity holders of the Company for the purpose of basic earnings per share	81,954	360,253	760,924	530,353	365,663
Effect of dilutive potential ordinary shares:					
Interest on convertible bonds		11,699			
Earnings for the purposes of diluted earnings per share	93,653				
	As at December 31,			As at June 30,	As at June 30,
	2006	2007	2008	2008	2009
<u>Numbers of shares</u>					
Weighted average number/number of shares for the purpose of basic earnings per share	560,936,929	781,787,461	781,787,461	781,787,461	781,787,462
Effect of dilutive potential ordinary shares relating to convertible bonds		95,329,118			
Weighted average number of shares for the purpose of diluted earnings per share	656,266,047				

The computation of diluted earnings per share for the year ended December 31, 2006 did not assume the exercise of the Company's outstanding share options because the exercise prices of those options were higher than the average market prices of the Company's shares during the year ended December 31, 2006.

14. DISCONTINUED OPERATIONS

On December 28, 2007, the Group entered into an agreement to dispose of the entire issued shares in CR Precast to Smooth Concept, at an aggregate consideration of HK\$1. Precast Group carried out all of the

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Group's precast manufacturing operations. The disposal was effected in order to concentrate the resources on cement and concrete business, which are the main business of the Group. The disposal was completed on December 28, 2007, on which date control of the Precast Group was passed to Smooth Concept.

The result of the precast manufacturing operations for the Track Record Period, which has been included in the consolidated statements of comprehensive income, were as follows:

	Year ended December 31,	
	2006	2007
	HK\$'000	HK\$'000
(Loss) profit for the year from discontinued operations		
Turnover	217,442	257,140
Cost of sales	(168,425)	(201,458)
Other income	1,123	2,585
Selling and distribution expenses	(9,775)	(25,915)
General and administrative expenses	(34,528)	(28,756)
Finance costs	(3,547)	(2,542)
Share of result of an associate	—	675
Profit before taxation	2,290	1,729
Taxation (charge) credit	(4,792)	384
(Loss) profit for the year	<u>(2,502)</u>	<u>2,113</u>
Cash flows from discontinued operations:		
Net cash generated from operating activities	815	4,445
Net cash used in investing activities	(5,516)	(4,965)
Net cash generated from financing activities	8,155	—
Net cash generated from (used in) discontinued operations	<u>3,454</u>	<u>(520)</u>

15. ASSETS CLASSIFIED AS HELD FOR SALE

On December 2, 2008, the Group entered into an agreement to dispose of the entire equity interest in Hongshuihe Pier Store at a consideration of RMB138,000,000 (equivalent to HK\$156,754,000). The assets and liabilities attributable to Hongshuihe Pier Store, which is expected to be sold within twelve months, have been classified as held for sale and are presented separately in the consolidated statement of financial position as at December 31, 2008. The disposal of the entire equity interest in Hongshuihe Pier Store was completed on April 6, 2009 and the gain on disposal of HK\$22,399,000 was recognized during the six months ended June 30, 2009 (see note 43).

The major classes of assets and liabilities of Hongshuihe Pier Store classified as held for sale as at December 31, 2008 are as follows:

	HK\$'000
Investment properties (Note 18)	156,754
Cash and bank balances	299
Assets classified as held for sale	<u>157,053</u>
Taxation payable	(325)
Deferred tax liabilities (Note 23)	<u>(22,406)</u>
Liabilities associated with assets classified as held for sale	<u>(22,731)</u>
Net assets classified as held for sale	<u>134,322</u>

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16. FIXED ASSETS

THE GROUP

	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Logistic equipment</u>	<u>Others</u>	<u>Construction in progress</u>	<u>Total</u>
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
COST						
At January 1, 2006	594,164	1,387,702	352,151	138,027	1,098,935	3,570,979
Additions	12,045	81,559	46,660	9,624	1,204,509	1,354,397
Transfer upon completion of construction in progress	124,840	1,234,768	14,063	85,045	(1,458,716)	—
Disposals	(37)	(54,976)	(981)	(2,011)	—	(58,005)
Exchange adjustments	10,878	43,811	9,903	4,057	40,447	109,096
At December 31, 2006	741,890	2,692,864	421,796	234,742	885,175	4,976,467
Additions	3,441	54,941	49,309	11,901	1,240,866	1,360,458
Acquisition of subsidiaries (Note 42)	13,976	5,957	21,366	5,670	11,780	58,749
Transfer upon completion of construction in progress	45,684	1,039,644	78,732	37,935	(1,201,995)	—
Disposals	(23,543)	(78,776)	(28,879)	(6,323)	—	(137,521)
Disposal of subsidiaries (Note 43)	(25,731)	(42,464)	(16,125)	(3,085)	—	(87,405)
Exchange adjustments	33,574	182,941	24,870	15,062	63,232	319,679
At December 31, 2007	789,291	3,855,107	551,069	295,902	999,058	6,490,427
Additions	13,534	71,156	87,687	8,761	2,447,172	2,628,310
Acquisition of subsidiaries (Note 42)	33,156	—	30,971	4,447	18,326	86,900
Transfer upon completion of construction in progress	346,300	506,655	39,187	—	(892,142)	—
Disposals	(1,770)	(5,126)	(7,413)	(923)	—	(15,232)
Surplus on revaluation of a leasehold property (Note a)	17,810	—	—	—	—	17,810
Transferred to investment properties (Note a)	(42,281)	—	—	—	—	(42,281)
Exchange adjustments	35,873	238,120	33,050	18,618	64,883	390,544
At December 31, 2008	1,191,913	4,665,912	734,551	326,805	2,637,297	9,556,478
Additions	109	15,825	41,846	7,892	2,551,645	2,617,317
Transfer upon completion of construction in progress	291,851	1,462,611	26,127	5,681	(1,786,270)	—
Disposals	—	(1,464)	(487)	(72)	—	(2,023)
Exchange adjustments	(1,061)	(5,055)	(744)	(339)	(2,922)	(10,121)
At June 30, 2009	1,482,812	6,137,829	801,293	339,967	3,399,750	12,161,651

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	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Logistic equipment</u>	<u>Others</u>	<u>Construction in progress</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At January 1, 2006	111,961	440,357	122,643	45,118	—	720,079
Charge for the year	20,494	126,902	25,731	12,577	—	185,704
Written back on disposals	—	(23,299)	(736)	(943)	—	(24,978)
Exchange adjustments	2,042	12,705	2,651	949	—	18,347
At December 31, 2006	134,497	556,665	150,289	57,701	—	899,152
Charge for the year	23,079	171,562	32,636	15,281	—	242,558
Impairment loss recognized in the consolidated statements of comprehensive income (Note b)	981	10,986	—	412	—	12,379
Written back on disposals	(20,202)	(68,179)	(11,141)	(5,620)	—	(105,142)
Written back on disposal of subsidiaries (Note 43)	(7,938)	(16,024)	(8,258)	(1,604)	—	(33,824)
Exchange adjustments	5,991	37,343	6,952	2,913	—	53,199
At December 31, 2007	136,408	692,353	170,478	69,083	—	1,068,322
Charge for the year	29,017	228,844	44,310	19,193	—	321,364
Written back on disposals	(202)	(2,426)	(5,470)	(542)	—	(8,640)
Eliminated on transfer to investment properties (Note a)	(6,281)	—	—	—	—	(6,281)
Exchange adjustments	5,580	40,950	7,616	3,304	—	57,450
At December 31, 2008	164,522	959,721	216,934	91,038	—	1,432,215
Charge for the period	16,604	131,758	25,912	10,929	—	185,203
Written back on disposals	—	(354)	(483)	(48)	—	(885)
Exchange adjustments	(123)	(946)	(173)	(77)	—	(1,319)
At June 30, 2009	181,003	1,090,179	242,190	101,842	—	1,615,214
CARRYING VALUES						
At December 31, 2006	607,393	2,136,199	271,507	177,041	885,175	4,077,315
At December 31, 2007	652,883	3,162,754	380,591	226,819	999,058	5,422,105
At December 31, 2008	1,027,391	3,706,191	517,617	235,767	2,637,297	8,124,263
At June 30, 2009	1,301,809	5,047,650	559,103	238,125	3,399,750	10,546,437

Notes:

- (a) During the year ended December 31, 2008, the Group rented out a leasehold property to an independent third party for rental income. Upon the change of use, the leasehold property was revalued at fair value with a surplus on revaluation of HK\$17,810,000, which has been credited to the property revaluation reserve, and that leasehold property with carrying value of HK\$38,000,000 was transferred to investment properties.
- (b) During the year ended December 31, 2007, the directors of the Company conducted a review of the Group's production assets and determined that the assets in Hongshuihe Cement were impaired, due to damage and obsolescence. Accordingly, impairment losses of HK\$12,379,000 have been recognized in respect of fixed assets.

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THE COMPANY

	Logistic equipment	Others	Total
	HK\$'000	HK\$'000	HK\$'000
COST			
At January 1, 2006	481	25	506
Additions	150	—	150
At December 31, 2006	631	25	656
Additions	260	79	339
Disposals	—	(15)	(15)
At December 31, 2007	891	89	980
Additions	—	134	134
Disposals	(150)	—	(150)
At December 31, 2008	741	223	964
Additions	1,759	28	1,787
Disposals	(482)	—	(482)
At June 30, 2009	<u>2,018</u>	<u>251</u>	<u>2,269</u>
ACCUMULATED DEPRECIATION			
At January 1, 2006	144	6	150
Charge for the year	189	3	192
At December 31, 2006	333	9	342
Charge for the year	316	19	335
Written back on disposals	—	(5)	(5)
At December 31, 2007	649	23	672
Charge for the period	108	59	167
Written back on disposals	(120)	—	(120)
At December 31, 2008	637	82	719
Charge for the period	80	34	114
Written back on disposals	(482)	—	(482)
At June 30, 2009	<u>235</u>	<u>116</u>	<u>351</u>
CARRYING VALUES			
At December 31, 2006	<u>298</u>	<u>16</u>	<u>314</u>
At December 31, 2007	<u>242</u>	<u>66</u>	<u>308</u>
At December 31, 2008	<u>104</u>	<u>141</u>	<u>245</u>
At June 30, 2009	<u>1,783</u>	<u>135</u>	<u>1,918</u>

Others mainly comprise furniture and equipment and leasehold improvements.

THE GROUP

	As at December 31,			As at
	2006			June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying values of land and buildings of the Group comprise:				
Properties in Hong Kong held on				
— long-term leases	18,720	18,231	—	—
— medium-term leases	192,172	187,410	182,648	180,264
Properties in Chinese Mainland held on				
— medium-term leases	379,494	447,184	844,685	1,121,487
— short-term leases	17,007	58	58	58
	<u>607,393</u>	<u>652,883</u>	<u>1,027,391</u>	<u>1,301,809</u>
Net interest capitalized included in construction in progress	<u>25,770</u>	<u>25,856</u>	<u>49,355</u>	<u>51,997</u>

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The Group has pledged fixed assets with the following carrying amounts to secure bank facilities granted to the Group.

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amounts	280,377	272,770	—	—

17. PREPAID LEASE PAYMENTS

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total prepaid lease payments:				
Medium-term leasehold land in Chinese Mainland	151,071	187,622	300,679	335,018
Less: Amount charged within one year (included in other receivables (Note 27))	(3,917)	(4,974)	(7,278)	(7,930)
	<u>147,154</u>	<u>182,648</u>	<u>293,401</u>	<u>327,088</u>

Movements of prepaid lease payment are as follows:

THE GROUP

	HK\$'000
At January 1, 2006	110,615
Additions	39,715
Charge for the year	(3,265)
Exchange adjustments	4,006
At December 31, 2006	151,071
Additions	6,239
Acquisition of subsidiaries (Note 42)	23,756
Charge for the year	(4,106)
Exchange adjustments	10,662
At December 31, 2007	187,622
Additions	90,827
Acquisition of subsidiaries (Note 42)	16,017
Charge for the year	(6,684)
Exchange adjustments	12,897
At December 31, 2008	300,679
Additions	38,448
Charge for the period	(3,777)
Exchange adjustments	(332)
At June 30, 2009	<u>335,018</u>

The lease terms over which the prepaid lease payments are amortized ranged from 35 years to 50 years.

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18. INVESTMENT PROPERTIES

THE GROUP

	HK\$'000
At January 1, 2006	84,568
Exchange adjustments	3,115
At December 31, 2006	87,683
Exchange adjustments	6,283
At December 31, 2007	93,966
Change in fair value of investment properties	55,040
Transferred from fixed assets	36,000
Reclassified as assets held for sale (Note 15)	(156,754)
Exchange adjustments	6,748
At December 31, 2008	35,000
Change in fair value of investment property	(1,000)
At June 30, 2009	34,000

At December 31, 2006 and 2007, the investment properties of HK\$87,683,000 and HK\$93,966,000 comprised three plots of lands and pier structures (the "Pier"). During the year ended December 31, 2008, the Pier with fair value of HK\$156,754,000 was reclassified to assets held for sale.

The investment property of HK\$35,000,000 and HK\$34,000,000 as at December 31, 2008 and June 30, 2009, respectively, comprised solely a leasehold property in Hong Kong, which was transferred from fixed assets during the year ended December 31, 2008.

The above investment properties were valued by DTZ Debenham Tie Leung Limited ("DTZ"), an independent qualified professional valuer not connected with the Group. DTZ are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications.

All of the Group's leasehold interests in land held under operating leases are measured using the market sales comparable approach as at December 31, 2008 and June 30, 2009 and depreciated replacement cost approach as at December 31, 2006 and 2007, and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Land in Hong Kong held on long lease	—	—	35,000	34,000
Land in the Chinese Mainland held on medium-term lease	87,683	93,966	—	—
	<u>87,683</u>	<u>93,966</u>	<u>35,000</u>	<u>34,000</u>

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19. INTANGIBLE ASSETS

THE GROUP

	<u>Goodwill</u>	<u>Mining rights</u>	<u>Total</u>
	<u>HKS'000</u>	<u>HKS'000</u>	<u>HKS'000</u>
		(Note c)	
COST			
At January 1, 2006	35,134	53,379	88,513
Additions	—	5,644	5,644
Acquisition of additional interests in subsidiaries (Note a)	9,979	—	9,979
Exchange adjustments	—	1,984	1,984
At December 31, 2006	45,113	61,007	106,120
Additions	—	2,234	2,234
Acquisition of subsidiaries (Note 42)	7,584	—	7,584
Acquisition of additional interests in subsidiaries (Note b)	590	—	590
Exchange adjustments	42	4,408	4,450
At December 31, 2007	53,329	67,649	120,978
Additions	—	13,411	13,411
Acquisition of subsidiaries (Note 42)	10,756	—	10,756
Impairment loss recognized	(1,301)	—	(1,301)
Exchange adjustments	57	4,345	4,402
At December 31, 2008	62,841	85,405	148,246
Additions	—	157	157
Exchange adjustments	(3)	(96)	(99)
At June 30, 2009	62,838	85,466	148,304
ACCUMULATED AMORTIZATION			
At January 1, 2006	—	2,963	2,963
Charge for the year	—	1,626	1,626
Exchange adjustments	—	162	162
At December 31, 2006	—	4,751	4,751
Charge for the year	—	2,045	2,045
Exchange adjustments	—	458	458
At December 31, 2007	—	7,254	7,254
Charge for the year	—	2,654	2,654
Exchange adjustments	—	531	531
At December 31, 2008	—	10,439	10,439
Charge for the period	—	1,365	1,365
Exchange adjustments	—	(13)	(13)
At June 30, 2009	—	11,791	11,791
CARRYING VALUES			
At December 31, 2006	45,113	56,256	101,369
At December 31, 2007	53,329	60,395	113,724
At December 31, 2008	62,841	74,966	137,807
At June 30, 2009	62,838	73,675	136,513

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- (a) On August 10, 2006, the Group acquired 0.7% equity interest in Hongshuihe Joint Stock from third parties not related to the Group, at an aggregate consideration of RMB2,000,000 (equivalent to HK\$1,993,000). The carrying amount of the acquired identifiable assets, liabilities and contingent liabilities recognized was HK\$680,000 and thus goodwill of HK\$1,313,000 was recognized.

On September 30, 2006, several minority shareholders of Hongshuihe Joint Stock withdrew their initial capital injections, amounting to RMB19,250,000 (equivalent to HK\$18,429,000). Under this circumstance, the Group had a deemed acquisition of 4.2% equity interest in Hongshuihe Joint Stock, amounting to HK\$9,763,000. Thus, goodwill of HK\$8,666,000 was recognized.

- (b) On January 20, 2007, the Group acquired 30% equity interest in Zhanjiang Cement from third parties not related to the Group, at an aggregate consideration of RMB7,720,000 (equivalent to HK\$7,692,000). The carrying amount of the acquired identifiable assets, liabilities and contingent liabilities recognized was HK\$7,102,000 and thus goodwill of HK\$590,000 was recognized.

- (c) The useful lives of mining rights ranged from 15 years to 50 years.

20. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES

The management regularly determines if there is impairment of any of its cash generating units containing goodwill with indefinite useful lives.

For the purpose of impairment testing, goodwill has been allocated to the cash generating units ("CGU") of cement and concrete reportable segments. The carrying amounts of goodwill allocated to the CGUs of cement and concrete reportable segments at December 31, 2006, 2007 and 2008 and June 30, 2009 are HK\$29,505,000, HK\$30,137,000, HK\$40,950,000 and HK\$40,948,000 and HK\$15,608,000, HK\$23,192,000, HK\$21,891,000 and HK\$21,890,000, respectively.

The recoverable amounts of cement and concrete CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period with growth rate of 3%, 3%, 3% and 3% for the years ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2009, respectively, and discount rate of 10%, 10%, 12% and 12% for the years ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2009, respectively. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flow beyond the five year period are extrapolated using zero growth rate. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

During the year ended December 31, 2008, the Group recognized an impairment loss of HK\$1,301,000 in relation to goodwill arising on acquisition of Wenwei Concrete and Shengsheng Concrete Limited since both companies were inactive and not expected to operate in the foreseeable future.

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount of cement and concrete reportable segments to exceed the aggregate recoverable amounts of cement and concrete reportable segments.

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21. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

Investments in subsidiaries

	THE COMPANY			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	960,040	960,040	1,047,070	813,547
Amounts due from subsidiaries				
Non-interest bearing portion (Note a)	1,222,950	2,745,544	3,025,129	3,970,451
Interest bearing portion (Note b)	216,442	144,829	15,958	15,940
	<u>1,439,392</u>	<u>2,890,373</u>	<u>3,041,087</u>	<u>3,986,391</u>
	<u>2,399,432</u>	<u>3,850,413</u>	<u>4,088,157</u>	<u>4,799,938</u>

Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured and repayable on demand.

	THE COMPANY			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-interest bearing portion	23,957	21,965	1,145,612	1,829,325
Interest bearing portion (Note c)	20,000	—	—	—
	<u>43,957</u>	<u>21,965</u>	<u>1,145,612</u>	<u>1,829,325</u>

Notes:

- (a) The non-interest bearing amounts due from subsidiaries represents net investments in subsidiaries.
- (b) The amounts due from subsidiaries are unsecured, repayable on demand and bear interest at 5% per annum for the years ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2009, respectively.
- (c) The amounts due to subsidiaries borne interest at 5% per annum before the amounts were fully repaid during the year ended December 31, 2006.

22. INTEREST IN AN ASSOCIATE/DEPOSITS FOR ACQUISITION OF AN ASSOCIATE

Interest in an associate

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investment in an associate, at cost				
— Hong Kong	45,000	45,000	45,000	45,000
Less: Impairment loss recognized	(45,000)	(45,000)	(45,000)	(45,000)
Share of post-acquisition profits	54	49	48	48
	<u>54</u>	<u>49</u>	<u>48</u>	<u>48</u>

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The summarized financial information in respect of the Group's associate are set out below:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	148	113	104	104
Total liabilities	(40)	(16)	(8)	(8)
Net assets	<u>108</u>	<u>97</u>	<u>96</u>	<u>96</u>
Group's share of net assets of an associate	<u>54</u>	<u>49</u>	<u>48</u>	<u>48</u>
Turnover	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year/period	<u>(11)</u>	<u>(11)</u>	<u>(1)</u>	<u>—</u>
Group's share of results of an associate for the year/period (Note)	<u>(6)</u>	<u>(5)</u>	<u>(1)</u>	<u>—</u>

Note: No result of the associate was shared by the Group during the six months ended June 30, 2009 as there was insignificant loss incurred by Man Wah during that period.

Impairment loss was recognized based on the recoverable amount of Man Wah, an associate of the Group, which was determined by the estimated discounted net cash flow from that associate. The carrying amount of interest in an associate was reduced to the respective recoverable amount as at December 31, 2006, 2007 and 2008 and June 30, 2009.

Deposits for acquisition of an associate

The amount represents the deposits paid for acquisition of 29.3% equity interest in 國投海南水泥有限公司 (SDIC Hainan Cement Company Limited) ("Hainan Cement"), a company established in the Chinese Mainland in the form of limited company and principally engaged in manufacture and sale of cement. The Group successfully won the bid at the public auction held by Hainan Hengji Fengye Auction Company Limited for the acquisition of 29.3% equity interest in Hainan Cement at a consideration of RMB269,000,000 (equivalent to HK\$305,218,000) and a tender deposit of RMB60,000,000 (equivalent to HK\$68,154,000) was made by the Group as at December 31, 2008 and included as other receivables (see note 27). The remaining balance of RMB209,000,000 (equivalent to HK\$237,064,000) was made by the Group during the six months ended June 30, 2009. The acquisition of 29.3% equity interest in Hainan Cement is still subject to government approval and therefore the payment of RMB269,000,000 (equivalent to HK\$305,218,000) is classified as deposits for acquisition of an associate as at June 30, 2009.

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23. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the Track Record Period:

	Accelerated tax depreciation	Interest on convertible bonds	Change in fair value of investment property	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
At January 1, 2006	(35,640)	(15,728)	(9,166)	15,689	(44,845)
Credited to consolidated statement of comprehensive income (Note 10)	1,931	2,047	—	8,147	12,125
Conversion of bonds	—	12,732	—	—	12,732
Reversal on termination of conversion rights . .	—	949	—	—	949
Exchange adjustments	—	—	(337)	296	(41)
At December 31, 2006	(33,709)	—	(9,503)	24,132	(19,080)
Credited (charged) to consolidated statement of comprehensive income (Note 10)	4,436	—	—	(11,645)	(7,209)
Attributable to change in tax rate (Note 10) . .	—	—	—	(353)	(353)
Disposal of subsidiaries (Note 43)	—	—	—	(3,362)	(3,362)
Exchange adjustments	—	—	(681)	59	(622)
At December 31, 2007	(29,273)	—	(10,184)	8,831	(30,626)
Credited (charged) to consolidated statement of comprehensive income (Note 10)	748	—	(11,419)	878	(9,793)
Attributable to change in tax rate	1,673	—	—	(316)	1,357
Acquisition of subsidiaries (Note 42)	(4,010)	—	—	—	(4,010)
Reclassified as held for sale (Note 15)	—	—	22,406	—	22,406
Exchange adjustments	(253)	—	(803)	223	(833)
At December 31, 2008	(31,115)	—	—	9,616	(21,499)
(Charged) credited to consolidated statement of comprehensive income	(2,054)	—	—	286	(1,768)
At June 30, 2009	(33,169)	—	—	9,902	(23,267)

Note:

Analyzed for reporting purposes as:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	24,132	8,831	9,616	9,902
Deferred tax liabilities	(43,212)	(39,457)	(31,115)	(33,169)
	(19,080)	(30,626)	(21,499)	(23,267)
				Tax losses
				HK\$'000
THE COMPANY				
At January 1, 2006 and December 31, 2006				4,550
Charged to statement of comprehensive income				(4,550)
At December 31, 2007, December 31, 2008 and June 30, 2009				—

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The Group had unused tax losses of approximately HK\$181.3 million, HK\$245.8 million, HK\$279.8 million and HK\$367.5 million as at December 31, 2006, 2007 and 2008 and June 30, 2009, available for offset against future profits. A deferred tax asset has been recognized in respect of approximately HK\$118.1 million, HK\$48.4 million, HK\$53.2 million and HK\$50.4 million as at December 31, 2006, 2007 and 2008 and June 30, 2009, of such losses. No deferred tax assets has been recognized in respect of the remaining HK\$63.2 million, HK\$197.4 million, HK\$226.6 million and HK\$317.1 million as at December 31, 2006, 2007 and 2008 and June 30, 2009, due to the unpredictability of future profit streams. Included in unrecognized tax losses of approximately HK\$18.0 million, HK\$71.5 million, HK\$71.3 million and HK\$138.5 million as at December 31, 2006, 2007 and 2008 and June 30, 2009 will expire five years from the year of origination, other tax losses may be carried forward indefinitely.

24. LONG TERM RECEIVABLES

	<u>THE GROUP</u>
	<u>HK\$'000</u>
At January 1, 2006, December 31, 2006 and December 31, 2007	—
Advances during the year (Note a)	118,916
At December 31, 2008	118,916
Advances during the year (Note b)	42,307
Exchange adjustments	(131)
At June 30, 2009	<u>161,092</u>

Notes:

- (a) During the year ended December 31, 2008, the Group entered into an agreement to advance a fund of RMB104,680,000 (equivalent to HK\$118,916,000) to a local government in the Chinese Mainland. The advance would be used by the local government to facilitate the transfer of a piece of land to a subsidiary of the Company for construction of production lines. The advance is unsecured and bears interest at the prevailing market borrowing rates determined by The People's Bank of China. The advance will be repayable through offsetting of certain taxes to be payable by the Company's subsidiary to the local government. The directors of the Company consider that the advance will be recovered from the local government starting from the third quarter of 2010 and expect to be fully recoverable on or before 2013.
- (b) During the six months ended June 30, 2009, the Group and a local government in Chinese Mainland entered into various agreements. Pursuant to the agreements, the Company's subsidiary advanced funds of RMB37,287,000 (equivalent to HK\$42,307,000) to facilitate the transfer of a piece of land to the Company's subsidiary for construction of its plant. The advances are unsecured and bear interest at the prevailing market borrowing rates determined by The People's Bank of China. The advances will be repayable by the local government from June 30, 2012 to June 30, 2014.

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25. INVENTORIES

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials and consumables	264,667	258,290	280,868	335,249
Work in progress	22,877	32,134	21,857	84,316
Finished goods	46,392	72,064	77,064	108,421
	<u>333,936</u>	<u>362,488</u>	<u>379,789</u>	<u>527,986</u>

26. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY/AN INTERMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

The amount due from immediate holding company represents the cash advance to Smooth Concept and all the balances have been repaid during the year ended December 31, 2007.

The amount due from an intermediate holding company represents the cash advance to 華潤集團股份有限公司, which is the holding company of CRH. All the balances have been repaid during the year ended December 31, 2008.

The amounts due from fellow subsidiaries represents other receivables for miscellaneous operating expenses paid on behalf of other subsidiaries of CRH and the balances have been repaid during the year ended December 31, 2008.

27. TRADE AND OTHER RECEIVABLES

	THE GROUP			
	As at December 31,			As at
	2006	2007	2008	June 30,
	HK\$'000	HK\$'000	HK\$'000	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables from (Note a)				
— third parties	541,668	619,128	626,560	618,976
— fellow subsidiaries	14,488	30,131	11,596	6,257
— minority shareholder of a subsidiary	1,818	—	—	—
	<u>557,974</u>	<u>649,259</u>	<u>638,156</u>	<u>625,233</u>
Other receivables				
— prepayments and deposits (Note b)	28,808	39,124	128,792	124,370
— deposits paid to suppliers (Note c)	79,421	73,616	59,425	99,563
— value-added tax, government incentive receivables and others (Note d)	105,394	64,819	69,222	108,810
— receivables from government (Note e)	16,939	18,153	22,786	20,408
— receivables from the sales of the old production line	16,280	15,547	—	—
— prepaid lease payments charged within one year (Note 17)	3,917	4,974	7,278	7,930
— staff advances	4,325	5,651	4,929	7,079
— others (Note f)	15,207	25,521	24,232	15,403
	<u>270,291</u>	<u>247,405</u>	<u>316,664</u>	<u>383,563</u>

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	THE COMPANY			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other receivables	344	563	3,248	1,889

Notes:

- (a) During the Track Record Period, the Group has a policy of allowing an average credit period to its customers, except the customers of the Precast Group, ranging from 0 to 90 days from the date of issuance of invoices. In 2008, the Group has shortened the credit periods to certain customers of cement business to 0 to 30 days and that of concrete business to 0 to 60 days. The receivables from the customers of the Precast Group are normally aged from 1 to 2 years since the customers of the Precast Group are mainly constructors and the Group allows the constructors to settle partial balances after the completion of their construction projects. The following is an aged analysis of trade receivables at the end of each reporting period:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 90 days	347,761	577,695	567,558	508,371
91 to 180 days	88,891	26,608	41,625	58,646
181 to 360 days	63,852	26,779	28,973	58,216
361 to 720 days	57,470	18,177	—	—
	<u>557,974</u>	<u>649,259</u>	<u>638,156</u>	<u>625,233</u>

Ageing of trade receivables which are past due but not impaired

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Past due 1 to 90 days	213,469	138,258	222,700	229,950
Past due 91 to 180 days	79,708	24,331	42,434	68,600
Past due 181 to 360 days	53,677	32,048	17,113	48,159
Past due over 360 days	57,260	1,044	—	—
Total	<u>404,114</u>	<u>195,681</u>	<u>282,247</u>	<u>346,709</u>

The Group does not hold any collateral over these balances which are past due. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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Movement in the allowance for doubtful debts

	THE GROUP			
	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year/period	29,427	40,476	92,381	72,169
Allowance (reversal of allowance) on receivables	21,834	51,466	(22,863)	(17,769)
Amounts written off as uncollectible	(11,566)	(3,050)	(1,503)	(1,088)
Exchange adjustment	781	3,489	4,154	(59)
Balance at end of year/period	<u>40,476</u>	<u>92,381</u>	<u>72,169</u>	<u>53,253</u>

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further allowance required in excess of the current amount allowance for doubtful debts.

- (b) Prepayments and deposits mainly comprise the prepayments for transportation expenses, rental deposits for the plants located in Hong Kong and the rental and management fee deposits paid for staff quarters in the Chinese Mainland. Included in prepayments and deposits as at December 31, 2008 was a tender deposit of RMB60,000,000 (equivalent to HK\$68,154,000) for acquisition of 29.3% equity interest in Hainan Cement and the amount was reclassified as deposits for acquisition of an associate as at June 30, 2009 (see note 22) upon the signing of the bidding agreement between the Group and the vendor, and the settlement of the remaining balance of the consideration of RMB209,000,000 (equivalent to HK\$237,064,000) by the Group.
- (c) Deposits paid to suppliers represent the deposits paid for purchase of raw materials.
- (d) Value-added tax ("VAT") and other tax recoverables represent the input VAT on purchase of raw materials and the government incentives receivables on the VAT (Note 50) and other tax recoverables.
- (e) Receivables from the government of the Chinese Mainland mainly represent the advances by the Group to 貴港市覃塘區人民政府 to facilitate the construction of production lines by Guigang Cement. In the opinion of the directors of the Company, the amounts will be fully recoverable within the next twelve months from June 30, 2009.
- (f) Others represent the interest receivables and temporary payments for constructors and customers.

28. PLEDGED BANK DEPOSITS

Pledged bank deposits of HK\$14,560,000, HK\$1,129,000, HK\$29,000 and HK\$1,155,705,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, have been pledged to secure banking facilities. The remaining deposits of HK\$15,534,000, HK\$8,002,000, HK\$9,142,000 and HK\$9,198,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, have been pledged to secure sales contracts to customers and legal actions against customers.

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29. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits with maturity within three months from initial inception.

	THE GROUP			
	Year ended December 31,			Six months ended June 30,
	2006	2007	2008	2009
	%	%	%	%
Range of interest rates of the bank deposits	0.01 - 4.55	0.01 - 5.60	0.01 - 3.10	0.01 - 3.60

Included in bank balances are the following amounts denominated in currencies other than the functional currency of the entity to which they related.

	THE GROUP			
	As at December 31,			At June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	27,226	23,472	39,100	501,508
RMB	5,486	9,638	—	—
United States Dollars ("USD")	—	—	—	57,965
Euro	—	—	—	32,694

30. TRADE AND OTHER PAYABLES

	THE GROUP			
	As at December 31,			At June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables to (Note a)				
— third parties	448,492	586,930	785,190	726,002
— fellow subsidiaries	20,593	—	—	—
	<u>469,085</u>	<u>586,930</u>	<u>785,190</u>	<u>726,002</u>
Other payables				
— payables to constructors and for the acquisition of fixed assets (Note b)	192,757	244,935	330,669	396,960
— payables for acquisition of subsidiaries (Note 42)	—	38,545	6,990	6,990
— deposits from customers	34,976	93,094	125,045	153,865
— guarantee deposits from suppliers (Note c)	26,440	25,287	17,222	104,130
— salaries and staff welfare payables	27,049	74,677	58,208	46,238
— VAT payables	56,670	60,397	42,901	24,122
— transportation payables	18,294	52,774	39,881	34,865
— accrued expenses (Note d)	27,545	40,743	39,941	44,355
— others (Note e)	8,873	32,937	71,624	69,138
— Advanced receipts in respect of assets classified as held for sale (Note f)	—	—	156,754	—
	<u>392,604</u>	<u>663,389</u>	<u>889,235</u>	<u>880,663</u>

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	THE COMPANY			
	As at December 31,			At June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables				
— interest payables	3,300	3,267	1,040	577
— salaries and staff welfare payables	3,800	17,000	10,972	3,497
— other accrued expenses	1,848	2,287	1,920	1,007
	<u>8,948</u>	<u>22,554</u>	<u>13,932</u>	<u>5,081</u>

Notes:

- (a) The Group normally receives credit period of 30 days to 90 days from its suppliers. The following is an aged analysis of trade payables at the end of each reporting period:

	THE GROUP			
	As at December 31,			At June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 90 days	314,816	448,542	693,538	641,546
91 to 180 days	70,902	40,027	58,193	42,690
181 to 360 days	52,358	14,582	10,871	26,518
361 to 720 days	31,009	83,779	22,588	15,248
	<u>469,085</u>	<u>586,930</u>	<u>785,190</u>	<u>726,002</u>

- (b) Payables to constructors represent the deposit received from constructors for the bid of construction projects, construction costs payables after the completion of constructions in accordance with the terms in agreements and the quality guarantee money retained by the Group which will be refunded to the constructors from 3 months to 1 year after the completion of the constructions. Payables for the acquisition of fixed assets represent the unpaid balances for the fixed assets acquired.
- (c) Guarantee deposits from suppliers represent the quality guarantee money retained by the Group for the raw materials provided by suppliers and the deposits will be refunded in three months after the delivery.
- (d) Accrued expenses mainly comprise utility expenses, repair and maintenance expenses and audit fees.
- (e) Others mainly comprise interest payables, reimbursements to staff and other miscellaneous advances.
- (f) Advanced receipts in respect of assets classified as held for sale represent the receipt of the consideration for the disposal of entire equity interest in Hongshuihe Pier Store.

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31. PROVISIONS

	HK\$'000
THE GROUP	
At January 1, 2006	53,576
Paid during the year	<u>(4,041)</u>
At December 31, 2006	49,535
Additions	3,845
Paid during the year	<u>(4,505)</u>
At December 31, 2007	48,875
Paid during the year	<u>(4,426)</u>
At December 31, 2008	44,449
Paid during the period	<u>(2,398)</u>
At June 30, 2009	<u>42,051</u>

Analyzed for reporting purposes as:

	THE GROUP			
	<u>As at December 31,</u>			<u>As at June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities	46,186	44,916	40,588	38,195
Current liabilities	<u>3,349</u>	<u>3,959</u>	<u>3,861</u>	<u>3,856</u>
	<u>49,535</u>	<u>48,875</u>	<u>44,449</u>	<u>42,051</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.

32. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/MINORITY SHAREHOLDERS OF SUBSIDIARIES/FELLOW SUBSIDIARY

The amount due to immediate holding company was unsecured and repayable on demand and bore a variable interest rate, which was repriced periodically based on the benchmark interest rate as stipulated by financial institutions. The interest rate was 4.9% per annum up to the date the amount was repaid or capitalized during the year ended December 31, 2008. The amount represented the cash advance from Smooth Concept for the year ended December 31, 2007. An amount of HK\$866,000,000 has been capitalized by way of issuance of 1 share of the Company to Smooth Concept and the remaining balance of HK\$682,056,000 has been repaid to Smooth Concept during the year ended December 31, 2008.

The amounts due to minority shareholders of subsidiaries were unsecured, interest-free and repayable on demand. The amounts represented the dividend payables to minority shareholders and the amounts have been fully settled during the year ended December 31, 2007.

The amount due to a fellow subsidiary was unsecured, interest-free and repayable on demand. The amount has been fully settled during the six months ended June 30, 2009.

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33. BANK LOANS

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans are repayable as follows:				
Within one year	1,806,439	1,185,634	2,810,763	3,897,886
After one year but within two years	535,233	327,459	818,558	1,761,642
After two years but within three years	241,461	411,770	576,706	1,882,368
After three years but within four years	201,563	79,418	236,646	911,116
After four years but within five years	103,169	—	54,902	255,861
	<u>2,887,865</u>	<u>2,004,281</u>	<u>4,497,575</u>	<u>8,708,873</u>
Less: Amount due within one year included in current liabilities	<u>(1,806,439)</u>	<u>(1,185,634)</u>	<u>(2,810,763)</u>	<u>(3,897,886)</u>
Amount due after one year	<u>1,081,426</u>	<u>818,647</u>	<u>1,686,812</u>	<u>4,810,987</u>
Secured	180,000	160,000	—	1,146,170
Unsecured	<u>2,707,865</u>	<u>1,844,281</u>	<u>4,497,575</u>	<u>7,562,703</u>
	<u>2,887,865</u>	<u>2,004,281</u>	<u>4,497,575</u>	<u>8,708,873</u>

Bank loans are arranged at fixed rates as well as floating rates. The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans from 3.2% to 5.8%, 4.0% to 6.7%, 1.4% to 7.6% and 1.1% to 5.4% per annum for the year ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2009, respectively.

During the six months ended June 30, 2009, Fuchuan Cement and Shangsi Cement entered into entrustment loan agreements with China Resources SZITIC Trust Co. Ltd. ("CR Trust"), a subsidiary of CRH, and a bank. CR Trust provided principal amounts of RMB440.6 million (equivalent to HK\$499.9 million) and RMB406.9 million (equivalent to HK\$461.7 million) as loans to Fuchuan Cement and Shangsi Cement, respectively. As at June 30, 2009, the total outstanding borrowings for the entrustment loans amounted to HK\$681.5 million.

The analysis of the terms of the bank loans as follows:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed rate borrowings	468,308	69,407	113,590	907,418
Variable rate borrowings	<u>2,419,557</u>	<u>1,934,874</u>	<u>4,383,985</u>	<u>7,801,455</u>
	<u>2,887,865</u>	<u>2,004,281</u>	<u>4,497,575</u>	<u>8,708,873</u>

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Included in bank loans are the following amounts denominated in currencies other than the functional currency of the entity to which they relate.

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	180,000	160,000	420,000	905,000
Japanese yen ("JPY")	—	—	11,053	—

	THE COMPANY			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured bank loans repayable within one year	560,000	550,000	431,053	485,000

The bank loans held by the Company are denominated in HK\$ and the average interest rate paid was 3.7%, 4.8%, 1.8% and 1.4% per annum for the year ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2009, respectively.

34. CONVERTIBLE BONDS

The unsecured zero coupon convertible bonds ("Convertible Bonds") were issued on January 13, 2005 by a subsidiary of the Company, China Resources Cement Finance Limited, 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. Unless previously converted or redeemed, the Group would redeem the Convertible Bonds on January 12, 2010.

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:

	HK\$'000
THE GROUP	
Nominal value of convertible bonds issued	800,000
Equity component	(109,913)
Liability component at date of issue	690,087
Liability component at January 1, 2006	710,009
Interest charged	11,699
Conversion of bonds to shares	(670,122)
Redeemed during the year	(40)
Settlement by the issue of shares under the Scheme of Arrangement (Note 40(ii))	(51,546)
Liability component at December 31, 2006, December 31, 2007, December 31, 2008 and June 30, 2009	—

The interest charged for the year ended December 31, 2006 was calculated at an effective interest rate of 3% per annum to the liability component which was determined when the bonds were issued.

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In accordance with an extraordinary resolution passed by a convertible bondholder with not less than three-fourth of the total outstanding convertible bonds on May 17, 2006, the conversion rights attaching to convertible bonds were suspended with effect on July 19, 2006.

35. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amounts</u>
		<u>HK\$'000</u>
Ordinary shares of HK\$0.10 each:		
Authorized:		
At December 31, 2006, December 31, 2007, December 31, 2008 and June 30, 2009	1,000,000,000	100,000
Issued and fully paid:		
At January 1, 2006	381,863,461	38,186
Conversion of bonds into shares	371,436,000	37,144
Cancellation of existing shares under the Scheme of Arrangement (Note a)	(753,299,461)	(75,330)
Issue of new shares under the Scheme of Arrangement (Note a)	753,299,461	75,330
Issue of new shares (Note b)	28,488,000	2,849
At December 31, 2006 and December 31, 2007	781,787,461	78,179
Issue of a new share (Note c)	1	—
At December 31, 2008 and June 30, 2009	<u>781,787,462</u>	<u>78,179</u>

Notes:

- (a) All shares of the Company in issue are cancelled on July 31, 2006 and are followed by the immediate re-issue of the same number of shares of the Company to Smooth Concept. Details are set out in note 40.
- (b) On August 24, 2006, the Company issued 28,488,000 shares of HK\$0.10 each, credited as fully paid at par, as the settlement to Smooth Concept of HK\$56,976,000 for the redemption of the Convertible Bonds held by Smooth Concept under the Scheme of Arrangement as set out in note 40(ii).
- (c) On June 30, 2008, the Company issued 1 share of HK\$0.10 each by way of capitalization of an amount of HK\$866,000,000 owed to Smooth Concept.

These shares rank pari passu with the then existing issued shares in respect of ranking for dividends, capital and voting rights attached thereto.

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36. RESERVES

THE COMPANY

	Share premium	Share-based compensation reserve	Translation reserve	(Accumulated losses) retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2006	962,125	11,446	—	(2,518)	971,053
Profit for the year	—	—	—	33,208	33,208
Conversion of convertible bonds	705,728	—	—	—	705,728
Issue of new shares (Note 35(b))	54,128	—	—	—	54,128
Transfer of reserve (Note 40(iii))	—	(11,446)	—	11,446	—
At December 31, 2006	1,721,981	—	—	42,136	1,764,117
Loss for the year	—	—	—	(65,363)	(65,363)
At December 31, 2007	1,721,981	—	—	(23,227)	1,698,754
Loss for the year	—	—	—	(68,103)	(68,103)
Issued of new share (Note 35(c))	866,000	—	—	—	866,000
Interim dividend paid	(45,985)	—	—	—	(45,985)
Exchange differences	—	—	16,308	—	16,308
At December 31, 2008	2,541,996	—	16,308	(91,330)	2,466,974
Loss for the period	—	—	—	(17,915)	(17,915)
Exchange differences	—	—	451	—	451
At June 30, 2009	2,541,996	—	16,759	(109,245)	2,449,510

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the Track Record Period.

The capital structure of the Group consists of debts, which includes the bank loans disclosed in note 33, and equity attributable to shareholders of the Company, comprising issued share capital and reserves.

The management of the Company review the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

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38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	930,820	1,235,429	1,220,326	2,870,818
Financial liabilities				
Amortized cost	3,609,815	4,638,205	5,802,164	10,093,196
	THE COMPANY			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,485,054	2,952,761	3,096,338	4,011,114
Financial liabilities				
Amortized cost	611,057	2,146,832	1,599,593	2,318,399

b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include retention monies receivable, amount due from immediate holding company/an intermediate holding company, amounts due from fellow subsidiaries, trade and other receivables, long term receivables, pledged bank deposits, cash and bank balances, trade and other payables, amount due to immediate holding company/a fellow subsidiary, amounts due to minority shareholders of subsidiaries and bank loans 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.

Interest rate risk

The Group is exposed to interest rate risk mainly from its long term and short term borrowings. Borrowings at fixed and variable interest rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The Group

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the amount due to immediate holding company and bank loans outstanding at the end of each reporting period.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit would have decreased/increased by approximately HK\$12,098,000,

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HK\$17,415,000, HK\$19,837,000 and HK\$18,061,000 for the year ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

The Company

The Company's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the amount due to immediate holding company and bank loans at the end of each reporting period.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Company's profit would have decreased/increased by approximately HK\$3,782,000, HK\$3,474,000, HK\$2,155,000 and HK\$1,213,000 for the year ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

This analysis is prepared by using certain assumptions on a hypothetical situation. In reality, market interest rates would not change in isolation. In management's opinion, the analysis is used for reference purpose and should not be considered a projection of the future profits or losses.

Currency risk

The Group's exposure to currency risk attributable to the bank balances and bank loans which are denominated in the currencies other than the functional currency of the entity to which they related (see notes 29 and 33 for details). The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

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Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in the RMB against HK\$, USD, Euro and JPY. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. A positive or negative number below indicates an increase or a decrease in post-tax profit where the RMB strengthens 5% against HK\$, USD, Euro and JPY. For a 5% weakening of the RMB against HK\$, USD, Euro and JPY, there would be an equal and opposite impact on the post-tax profit and other equity.

	THE GROUP			
	As at December 31,			As at
	2006	2007	2008	June 30,
	HK\$'000	HK\$'000	HK\$'000	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Impact on profit</u>				
if RMB strengthens against HK\$	5,875	5,158	14,944	19,213
if RMB strengthens against USD	—	—	—	(2,898)
if RMB strengthens against Euro	—	—	—	(1,635)
if RMB strengthens against JPY	—	—	953	—
	====	====	====	====
<u>Impact on other equity</u>				
if RMB strengthens against HK\$	—	—	81,027	101,498
	====	====	====	====
	THE COMPANY			
	As at December 31,			As at
	2006	2007	2008	June 30,
	HK\$'000	HK\$'000	HK\$'000	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Impact on profit</u>				
if RMB strengthens against HK\$	—	—	20,846	22,641
if RMB strengthens against JPY	—	—	953	—
	====	====	====	====

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimize the credit risk, the management of the Group has formulated a defined fixed credit policy and 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. The Group also reviews the recoverable amount of each individual trade receivable regularly at the end of each reporting period 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 on trade receivables is significantly reduced.

In addition, the Group is also exposed to credit risk in respect of guarantees given to banks for banking facilities granted to its fellow subsidiaries as at December 31, 2006, 2007 and 2008. In the opinion of the directors of the Company, the credit risk on guarantees given to banks is considered insignificant as its fellow subsidiaries are in good financial positions.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows (see note 45 for details of cash and cash equivalents of the Group at the end of each reporting period). The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As at June 30, 2009, the Group has available unutilized banking facilities of HK\$2,273.8 million.

The Group has net current liabilities as at December 31, 2006, 2007 and 2008 and June 30, 2009, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operating cash flow of the Group to meet its liquidity requirements in the short and long term.

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The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	THE GROUP					
	Weighted average interest rate	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at December 31, 2006						
Trade payables	—	469,085	—	—	469,085	469,085
Other payables	—	246,973	—	—	246,973	246,973
Amounts due to minority shareholders of subsidiaries	—	5,892	—	—	5,892	5,892
Bank loans						
— Fixed rate	5.0	482,406	—	—	482,406	468,308
— Variable rate	5.2	1,431,425	595,827	618,415	2,645,667	2,419,557
		<u>2,635,781</u>	<u>595,827</u>	<u>618,415</u>	<u>3,850,023</u>	<u>3,609,815</u>
As at December 31, 2007						
Trade payables	—	586,930	—	—	586,930	586,930
Other payables	—	498,938	—	—	498,938	498,938
Bank loans						
— Fixed rate	5.6	70,054	—	—	70,054	69,407
— Variable rate	5.8	1,200,231	369,155	506,029	2,075,415	1,934,874
Amount due to immediate holding company	4.9	1,623,911	—	—	1,623,911	1,548,056
		<u>3,980,064</u>	<u>369,155</u>	<u>506,029</u>	<u>4,855,248</u>	<u>4,638,205</u>
As at December 31, 2008						
Trade payables	—	785,190	—	—	785,190	785,190
Other payables	—	508,483	—	—	508,483	508,483
Bank loans						
— Fixed rate	5.8	120,178	—	—	120,178	113,590
— Variable rate	3.5	2,850,851	912,961	984,343	4,748,155	4,383,985
Amount due to a fellow subsidiary	—	10,916	—	—	10,916	10,916
		<u>4,275,618</u>	<u>912,961</u>	<u>984,343</u>	<u>6,172,922</u>	<u>5,802,164</u>
As at June 30, 2009						
Trade payables	—	726,002	—	—	726,002	726,002
Other payables	—	658,321	—	—	658,321	658,321
Bank loans						
— Fixed rate	1.7	924,207	—	—	924,207	907,418
— Variable rate	4.2	3,321,033	2,023,178	3,434,968	8,779,179	7,801,455
		<u>5,629,563</u>	<u>2,023,178</u>	<u>3,434,968</u>	<u>11,087,709</u>	<u>10,093,196</u>

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	THE COMPANY			
	Weighted average interest rate	Within 1 year	Total contractual undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000
As at December 31, 2006				
Other payables	—	7,100	7,100	7,100
Amounts due to subsidiaries	—	43,957	43,957	43,957
Bank loans				
— Variable rate	3.7	580,720	580,720	560,000
		<u>631,777</u>	<u>631,777</u>	<u>611,057</u>
As at December 31, 2007				
Other payables	—	20,267	20,267	20,267
Amounts due to subsidiaries	—	21,965	21,965	21,965
Bank loans				
— Variable rate	4.8	576,400	576,400	550,000
Amount due to immediate holding company	4.9	1,630,775	1,630,775	1,554,600
		<u>2,249,407</u>	<u>2,249,407</u>	<u>2,146,832</u>
As at December 31, 2008				
Other payables	—	12,012	12,012	12,012
Amounts due to subsidiaries	—	1,145,612	1,145,612	1,145,612
Amounts due to a fellow subsidiary	—	10,916	10,916	10,916
Bank loans				
— Variable rate	1.8	433,235	433,235	431,053
		<u>1,601,775</u>	<u>1,601,775</u>	<u>1,599,593</u>
As at June 30, 2009				
Other payables	—	4,074	4,074	4,074
Amounts due to subsidiaries	—	1,829,325	1,829,325	1,829,325
Bank loans				
— Variable rate	1.4	491,790	491,790	485,000
		<u>2,325,189</u>	<u>2,325,189</u>	<u>2,318,399</u>

39. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

40. PRIVATIZATION OF THE COMPANY

On March 29, 2006 (the "Proposed Date"), CRH, through its wholly-owned subsidiary, Smooth Concept, put forward (i) to the shareholders of the Company a scheme proposing the privatization of the Company (the "Scheme of Arrangement") which, would result in the Company becoming a wholly-owned subsidiary of Smooth Concept; and (ii) to the convertible bondholders (the "Convertible Bondholders") and the optionholders (the "Optionholders") of the Company, respectively, the offer by Smooth Concept to the Convertible Bondholders to acquire the outstanding convertible bonds (the Convertible Bond Offer") and the payment by Smooth Concept to all Optionholders whose options have lapsed upon the effective of the Scheme of Arrangement (the "Option Lapsing Payment").

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(i) The Scheme of Arrangement

Under the Scheme of Arrangement, shareholders of the Company would receive from Smooth Concept in consideration for the cancellation of their shares of HK\$2.45 ("Cash Alternative") or one share of Smooth Concept (the "Share Alternative"), credited as fully paid up, for every share of the Company they held. Smooth Concept was wholly-owned by CRH and was incorporated for the purpose of the Scheme of Arrangement.

CRH was the legal and, or beneficial owner of 270,132,647 shares of the Company, while all other shareholders (the "Public Shareholders") of the Company collectively held 111,730,814 shares of the Company on the Proposed Date. The cancellation of the shares of the Company was followed by the immediate re-issue of the same number shares of the Company to Smooth Concept. In consideration for the cancellation of the shares of the Company held by CRH, CRH was issued the same number of shares in Smooth Concept, credit as fully paid. Upon the effective of the Scheme of Arrangement, Public Shareholders holding 111,613,277 shares of the Company accepted the Cash Alternative and the remaining Public Shareholders holding 117,537 shares of the Company were issued the shares of Smooth Concept.

(ii) The Convertible Bond Offer

The Company had, through its wholly-owned subsidiary, China Resources Cement Finance Limited, in issue and outstanding HK\$799,888,000 principal amount of convertible bonds (the "Convertible Bonds") as at the Proposed Date. There was HK\$57,016,000 out of HK\$799,888,000 Convertible Bonds held by the Convertible Bondholders other than Firstsuccess Investments Limited ("Firstsuccess"). Under the Scheme of Arrangement, Smooth Concept would make the Convertible Bond Offer to acquire all the Convertible Bonds held by the Convertible Bondholders other than Firstsuccess at a consideration of HK\$4,900 in cash for any HK\$4,000 principal amount of the Convertible Bonds (or in a proportionate amount for any lesser or greater principal amount of the Convertible Bonds held). Convertible Bondholders who held HK\$56,976,000 principal amount of Convertible Bonds accepted the Convertible Bond Offer. In accordance with the Scheme of Arrangement, all the outstanding Convertible Bonds can no longer be converted into the shares of the Company and will be early redeemed by the Company at the principal amount of the Convertible Bonds. The HK\$56,976,000 Convertible Bonds held by Smooth Concept are subsequently settled by 28,488,000 shares of the Company and HK\$40,000 Convertible Bonds are repaid in cash.

Firstsuccess is a wholly-owned subsidiary of CRH which held HK\$742,872,000 in principal amount of the Convertible Bonds as at the Proposed Date. Firstsuccess converted all of its Convertible Bonds into 371,436,000 shares of the Company and were subsequently transformed into the same number of shares of Smooth Concept upon the effective of the Scheme of Arrangement.

(iii) Option Lapsing Payment

Upon the approval of the Scheme of Arrangement by the Grand Court of the Cayman Islands (the "Court") and become effective, any outstanding Options would automatically lapse in accordance with the terms of their issue. Just before the Scheme of Arrangement became effective, there were 8,370,000 and 26,070,000 outstanding share options with exercise prices of HK\$1.660 and HK\$2.325 per option, respectively.

Upon the Scheme of Arrangement became effective, Smooth Concept paid Optionholders the difference between the exercise price of the options and the cash alternative (the "Option Lapsing Payment") amounting to HK\$9,871,000.

Once the options automatically lapse, the amount of HK\$11,446,000 previously recognized in the share-based compensation reserve has transferred to retained profits.

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A copy of the order of the Court, issued under Section 86 of the Companies Law, after the Scheme of Arrangement was sanctioned was confirmed by the Court on July 24, 2006 (Cayman Islands time), was delivered to the Registrar of Companies in Cayman Islands for registration on the same day. Accordingly, the Scheme of Arrangement became effective on July 25, 2006 (Hong Kong time). The listing of the shares of the Company on the Stock Exchange was withdrawn on July 26, 2006.

41. SHARE OPTION SCHEME

On June 20, 2003, the Company's then sole shareholder adopted the Company's first share option scheme (the "Scheme"). The Scheme was deemed to be adopted on July 29, 2003, and will expire on July 29, 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 Company; any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Company; 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 prevailing requirements of 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.

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.

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Details of the share options granted and outstanding under the Scheme during the year ended December 31, 2006 were as follows:

Name of Participant	Date of grant	Exercise price	Number of share issuable under the options granted			
			Outstanding at January 1, 2006	Lapsed during the year	Cancelled during the year (Note 39(iii))	Outstanding at December 31, 2006
			HKS '000	'000	'000	'000
Directors	December 5, 2003	2.325	14,300	—	(14,300)	—
	December 16, 2004	1.660	4,800	—	(4,800)	—
Employees other than Directors	December 5, 2003	2.325	10,830	(100)	(10,730)	—
	December 16, 2004	1.660	3,570	—	(3,570)	—
Other participants	December 5, 2003	2.325	1,040	—	(1,040)	—
			<u>34,540</u>	<u>(100)</u>	<u>(34,440)</u>	<u>—</u>

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

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

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

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

None of the options granted by the Company has been exercised during the year ended December 31, 2006 and all share options were cancelled on July 19, 2006 under the Scheme of arrangement, as set out in note 40(iii).

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42. ACQUISITION OF SUBSIDIARIES

For the year ended December 31, 2006

There was no acquisition of subsidiaries, which has been accounted for using the acquisition method of accounting, for the year ended December 31, 2006.

For the year ended December 31, 2007

On December 28, 2007, the Group acquired 100% equity interest in Fuzhou Development Zone Shun Li Building Materials Company Limited (newly called as Fuzhou Cement), which is engaged in the manufacture and sale of cement and related business in Chinese Mainland, at an aggregate consideration of RMB19,641,000 (equivalent to HK\$21,120,000) from a third party not related to the Group. The transaction has been accounted for using the acquisition method of accounting.

The aggregate net assets acquired in the transaction and the discount on acquisition arising on the acquisition are as follows:

	Acquiree's carrying amount before acquisition	Fair value adjustments	Fair value
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Fixed assets	38,368	(154)	38,214
Prepaid lease payments	3,659	20,097	23,756
Cash and bank balances	1,077	—	1,077
Trade payables	(3,115)	—	(3,115)
Other payables	(36,133)	—	(36,133)
	<u>3,856</u>	<u>19,943</u>	23,799
Discount on acquisition			<u>(2,679)</u>
Total consideration			<u>21,120</u>
Discharged by:			
Consideration included in other payables			<u>21,120</u>
Net inflow of cash and cash equivalents:			
Cash and bank balances acquired			<u>1,077</u>

The discount on acquisition arising from the acquisition of Fuzhou Cement was attributable to the ability of the Group in negotiating the agreed terms of transaction with the vendor.

Fuzhou Cement has not contributed to the Group's turnover and profit before taxation during the period from the date of acquisition to December 31, 2007.

On October 28, 2007, the Group acquired 100% equity interest in Heyuan Concrete, which is engaged in the manufacture and sale of concrete and related business in the Chinese Mainland from a third party not related to the Group, at a consideration of approximately RMB16,980,000 (equivalent to HK\$17,425,000) after netting off of approximately RMB10,000,000 (equivalent to HK\$10,265,000), which represented the amount waived by the vendor due to the acceptance of certain liabilities of Heyuan Concrete by the Group. According to the acquisition agreement, those liabilities should be born by the vendor. This transaction has been accounted for using the acquisition method of accounting.

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The aggregate net assets acquired in the transaction and the goodwill arising on the acquisition are as follows:

	<u>Acquiree's amount before acquisition</u>	<u>Fair value adjustment</u>	<u>Fair value</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Net assets acquired:			
Fixed assets	20,091	444	20,535
Inventories	300	—	300
Other receivables	431	—	431
Cash and bank balances	332	—	332
Other payables	(3,443)	—	(3,443)
Bank loans	<u>(8,314)</u>	<u>—</u>	<u>(8,314)</u>
	<u>9,397</u>	<u>444</u>	<u>9,841</u>
Goodwill on acquisition			<u>7,584</u>
Total consideration			<u>17,425</u>
Discharged by:			
Consideration included in other payables			<u>17,425</u>
Net inflow of cash and cash equivalents:			
Cash and bank balances acquired			<u>332</u>

The goodwill on acquisition of Heyuan Concrete represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of the Chinese Mainland that are provided by the above newly acquired subsidiary.

Heyuan Concrete contributed HK\$2.5 million to the Group's turnover and HK\$2.9 million loss to the Group's profit before taxation during the period from the date of acquisition to December 31, 2007.

If the acquisitions of Fuzhou Cement and Heyuan Concrete had been completed on January 1, 2007, total Group's turnover and profit for the year ended December 31, 2007 would have been HK\$3,746 million and HK\$358 million, respectively.

For the year ended December 31, 2008

On April 2, 2008, the Group acquired 100% equity interest in Tino Investments Limited at an aggregate consideration of RMB96,300,000 (equivalent to HK\$106,989,000). Tino Investments Limited is an investment holding company and its subsidiaries are engaged in the manufacture and sale of cement and related business in the Chinese Mainland. The transaction has been accounted for using the acquisition method of accounting.

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The aggregate net assets acquired in the transaction and the goodwill on acquisition arising on the acquisition are as follows:

	Acquiree's amount before acquisition	Fair value adjustment	Fair value
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Fixed assets	82,534	4,366	86,900
Prepaid lease payments	4,353	11,664	16,017
Inventories	1,846	—	1,846
Cash and bank balances	956	—	956
Trade payables	(2,998)	—	(2,998)
Other payables	(2,478)	—	(2,478)
Deferred tax liabilities	—	(4,010)	(4,010)
	<u>84,213</u>	<u>12,020</u>	<u>96,233</u>
Goodwill on acquisition			<u>10,756</u>
Total consideration satisfied by cash			<u>106,989</u>
Net outflow of cash and cash equivalents:			
Total cash paid			(106,989)
Cash and bank balances acquired			<u>956</u>
			<u>(106,033)</u>

The goodwill on acquisition of Tino Investments Limited and its subsidiaries represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of the Chinese Mainland that are provided by the above newly acquired subsidiaries.

Tino Investments Limited and its subsidiaries have not contributed to the Group's turnover but contributed HK\$1 million to the Group's profit before taxation during the period from the date of acquisition to December 31, 2008.

If the acquisition of Tino Investments Limited had been completed on January 1, 2008, there would be insignificant effect on the Group's turnover and profit for the year ended December 31, 2008.

For the six months ended June 30, 2009

There was no acquisition of subsidiaries, which has been accounted for using the acquisition method of accounting, for the six months ended June 30, 2009.

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43. DISPOSAL OF SUBSIDIARIES

For the year ended December 31, 2006

There was no disposal of subsidiaries for the year ended December 31, 2006.

For the year ended December 31, 2007

On December 28, 2007, the Group entered into an agreement to dispose of the entire issued shares in CR Precast to Smooth Concept, the immediate holding company of the Company, at a consideration of HK\$1. The disposal was completed on December 28, 2007. The gain on disposal of Precast Group is recognized in the consolidated statement of comprehensive income for the year ended December 31, 2007. The net assets of the Precast Group disposed of during the year ended December 31, 2007 were as follows:

	HK\$'000
Net assets disposed of:	
Fixed assets	53,581
Interest in an associate	686
Deferred tax assets	3,362
Inventories	8,146
Retention monies receivable	18,426
Amount due from an associate	506
Trade receivables	139,445
Other receivables	9,511
Cash and bank balances	9,636
Trade payables	(72,321)
Other payables	(18,299)
Amount due to immediate holding company	(141,165)
Amount due to fellow subsidiaries	(6,665)
Taxation payable	(3,204)
	<u>1,645</u>
Release of translation reserve	<u>(2,036)</u>
	(391)
Gain on disposal	<u>391</u>
Total consideration	<u>—</u>
Satisfied by:	
Cash consideration included in amount due from immediate holding company	<u>—</u>
Net cash outflow arising on disposal:	
Cash and bank balances disposed of	<u>9,636</u>

CR Precast contributed loss of HK\$2,502,000 and profit of HK\$2,113,000 to the Group's profit attributable to shareholders of the Company for the year ended December 31, 2006 and 2007, respectively, and contributed HK\$815,000 and HK\$4,445,000 cash inflow to the Group's operating cash flows for the year ended December 31, 2006 and 2007, respectively.

For the year ended December 31, 2008

There was no disposal of subsidiaries for the year ended December 31, 2008.

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For the six months ended June 30, 2009

On December 2, 2008, the Group entered into an agreement to dispose of the entire equity interest in Hongshuihe Pier Store at a consideration of RMB138,000,000 (equivalent to HK\$156,754,000). The disposal of Hongshuihe Pier Store was completed on April 6, 2009 and the gain on disposal of Hongshuihe Pier Store of HK\$22,399,000 was recognized during the six months ended June 30, 2009.

The net assets of Hongshuihe Pier Store disposed of during the six months ended June 30, 2009 were as follows:

	HK\$'000
Net assets disposed of:	
Investment properties	156,754
Cash and bank balances	7
Deferred tax liabilities	<u>(22,406)</u>
	134,355
Gain on disposal	<u>22,399</u>
Total consideration	<u><u>156,754</u></u>
Satisfied by:	
Cash consideration received and included in other payables as advanced receipts in respect of assets classified as held for sale as at December 31, 2008	<u><u>156,754</u></u>
Net cash outflow arising on disposal:	
Cash and bank balances disposal of	<u><u>7</u></u>

Hongshuihe Pier Store contributed insignificant losses to the Group's profit attributable to equity holders of the Company and contributed insignificant cash flows to the Group's operating cash flows for the year ended December 31, 2006, 2007 and 2008.

44. MAJOR NON-CASH TRANSACTION

On August 24, 2006, the Company issued 28,488,000 shares of the Company of HK\$0.10 each, credited as fully paid at par, as the settlement to Smooth Concept of HK\$56,976,000 for the redemption of the Convertible Bonds held by Smooth Concept under the Scheme of Arrangement as set out in note 40(ii).

On June 30, 2008, the Company issued 1 share of the Company of HK\$0.10 each by way of capitalization of an amount of HK\$866,000,000 owed to Smooth Concept as set out in note 35(c).

45. CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be reconciled to the related items in the consolidated statements of financial position as follows:

	THE GROUP			
	<u>As at December 31,</u>			<u>As at June 30,</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Cash and bank balances	229,976	339,013	363,590	861,950
Cash and cash equivalents included in assets classified as held for sale	—	—	299	—
	<u><u>229,976</u></u>	<u><u>339,013</u></u>	<u><u>363,889</u></u>	<u><u>861,950</u></u>

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46. OPERATING LEASE COMMITMENT

The Group as lessee

At the end of each reporting period, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	17,792	13,305	15,369	22,710
In the second to fifth year inclusive	58,654	35,670	14,037	32,966
Over five years	63,878	56,454	12,672	45,150
	<u>140,324</u>	<u>105,429</u>	<u>42,078</u>	<u>100,826</u>
Represented by:				
Land and buildings	140,324	100,304	35,259	90,955
Motor vehicles	—	5,125	6,819	9,871
	<u>140,324</u>	<u>105,429</u>	<u>42,078</u>	<u>100,826</u>

Operating leases are negotiated for an average term of four to eight years.

The Group as lessor

At the end of each reporting period, the Group has contracted with a tenant for the following future minimum lease payments:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	—	—	9,215	9,215
In the second to fifth year inclusive	—	—	36,859	33,019
Over five years	—	—	768	—
	<u>—</u>	<u>—</u>	<u>46,842</u>	<u>42,234</u>

The investment property has been rented to an outside party for period up to seven years.

47. CONTINGENT LIABILITIES

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of banking facilities granted to fellow subsidiaries	<u>—</u>	<u>22,721</u>	<u>7,937</u>	<u>—</u>

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48. CAPITAL COMMITMENTS

Capital commitments for purchase and construction of fixed assets outstanding at the end of each reporting period are as follows:

	THE GROUP			
	As at December 31,			As at June 30,
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for	685,319	244,389	2,784,078	2,329,241
Authorized but not contracted for	22,796	—	3,431,983	5,091,433
	<u>708,115</u>	<u>244,389</u>	<u>6,216,061</u>	<u>7,420,674</u>

49. RELATED PARTY TRANSACTIONS

(a) Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and the entrustment loan set out in note 33, the Group entered into the following transactions with related parties during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<u>Continuing transactions*</u>					
Sales of goods to fellow subsidiaries	16,526	15,249	33,144	2,960	21,742
Purchase of goods from fellow subsidiaries	17,899	3,671	3,370	1,464	1,722
Rent paid to fellow subsidiaries	2,637	2,109	2,630	1,264	1,224
Testing services provided to fellow subsidiaries	<u>140</u>	<u>55</u>	<u>2,083</u>	<u>1,140</u>	<u>674</u>
<u>Discontinued transactions#</u>					
Sale of goods to fellow subsidiaries	—	—	686	—	—
Purchase of goods from fellow subsidiaries	36,245	8,144	—	—	—
Interest expense paid to immediate holding company	—	25,589	14,088	14,088	—
Management fee received from a fellow subsidiary	—	—	<u>1,080</u>	<u>1,080</u>	—

Notes:

* These transactions will continue after the reorganization.

These transactions have discontinued during the six months ended June 30, 2009.

(b) The key management personnel includes solely the directors of the Company and the compensation paid to them is disclosed in note 9.

(c) In the opinion of the directors of the Company, the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

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50. GOVERNMENT INCENTIVES

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Incentive subsidies:					
(i) Environmental protection subsidies	9,706	8,113	15,983	4,417	4,334
(ii) Business encouragement subsidies	34,045	26,726	35,562	18,310	20,693
(iii) Advance and other technology subsidies	390	308	541	—	—
Amounts credited to consolidated statements of comprehensive (Note 6)	<u>44,141</u>	<u>35,147</u>	<u>52,086</u>	<u>22,727</u>	<u>25,027</u>

Incentive subsidies were granted by the relevant government of the Chinese Mainland to Pingnan Cement, Guigang Cement and Hongshuihe Cement in the following basis:

- (i) The environmental protection subsidies were granted to Pingnan Cement and Hongshuihe Cement as development funds to establish the environmental friendly manufacturing factories by making use of residual heat power, which is produced during the process of the manufacture of cement.
- (ii) The business encouragement subsidies were granted to Pingnan Cement, Guigang Cement and Hongshuihe Cement to encourage the establishment of cement manufacturing business in the Guangxi Province. The incentive subsidies granted to Pingnan Cement and Guigang Cement were calculated according to (i) 50% of the valued-added tax previously paid to the local tax bureau and (ii) RMB1.2 per ton of the limestone used for five years since the commencement of the operations. Incentive subsidies granted to Hongshuihe Cement were calculated according to the valued-added tax paid by Hongshuihe Cement for the sales of certain types of cement products.
- (iii) The advance technology and other incentives were granted to Pingnan Cement and Hongshuihe Cement by the relevant government of the Chinese Mainland mainly for technological improvements.

There were no other specific conditions attached to the incentives and, therefore, the Group recognized the incentives upon receipt.

B. ULTIMATE HOLDING COMPANY AND IMMEDIATE HOLDING COMPANY

The Company's ultimate holding company are China Resources National Corporation, a company established in the Chinese Mainland throughout the Track Record Period.

From January 1, 2006 to August 2, 2006, CRH was the immediate holding company of the Company. Since August 3, 2006, Smooth Concept becomes the immediate holding company of the Company.

C. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no other remuneration has been paid or payable by the Group to the directors of the Company in respect of the Track Record Period.

Under the arrangement currently in force, the aggregate amount of the directors' fees and other emoluments for the year ending December 31, 2009 is estimated to be approximately HK\$8,449,000.

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D. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the Group had the following subsequent events.

On August 31, 2009, the Company increased the authorized share capital by creating an additional 9,000,000,000 ordinary shares of HK\$0.10 each and issued 4,000,000,000 ordinary shares of HK\$0.10 each to Smooth Concept for a consideration of HK\$1,000,000,000.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to June 30, 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong