THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of each of the Rights Issue Documents (as defined herein), having attached thereto the documents specified in the paragraph headed "Documents registered with the Registrars of Companies" in Appendix III to this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong and a copy of this Prospectus has been or will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda as required by the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the Shares (as defined herein) and the Rights Shares (as defined herein) in their nil-paid form and fully-paid form may be settled through CCASS (as defined herein) operated by HKSCC (as defined herein) and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. **If you have sold or transferred** all or part of your Shares, you should at once hand the Rights Issue Documents to the purchaser or bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

華潤勵致有限公司
China Resources Logic Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1193)

RIGHTS ISSUE OF 1,131,533,368 RIGHTS SHARES AT HK$3.42 EACH ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

Underwriter to the Rights Issue

Splendid Time Investments Inc.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 22 October 2008. The procedure for acceptance and transfer of the Rights Shares is set out on page 15 of this Prospectus.

The Underwriting Agreement (as defined herein) in respect of the Rights Issue (as defined herein) contains provisions entitling the Underwriter (as defined herein) by giving notice to the Company to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 9 to 10 of this Prospectus. If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

It should also be noted that the Shares have been dealt with on an ex-rights basis from Monday, 29 September 2008 and that the Rights Shares are expected to be dealt with in their nil-paid form from Monday, 13 October 2008 to Friday, 17 October 2008 (both days inclusive). Any dealings in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are required to be fulfilled (which is expected to be Monday, 27 October 2008), or any dealings in the Rights Shares in their nil-paid form between Monday, 13 October 2008 to Friday, 17 October 2008 (both days inclusive) are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders (as defined herein) and potential investors in the Company should therefore exercise caution when dealing in the Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.

8 October 2008

CONTENTS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Acceptance Date"	:	Wednesday, 22 October 2008 (or such other date as the Underwriter may agree with the Company as the date for acceptance and payment of the Rights Shares);
"Acquisition"	:	the acquisition of the CR Gas Shares by CR Logic from China Resources Holdings pursuant to the terms and conditions under the Share Purchase Agreement;
"Allotment Date"	:	the third Business Day after the Underwriter being notified by the Company of the aggregate number of Underwritten Rights Shares which have not been taken up pursuant to the Underwriting Agreement;
"Associates"	:	the meaning ascribed to it in the Listing Rules;
"Board"	:	the board of Directors;
"Business Day"	:	a day (other than a Saturday, a Sunday or a day on which either a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong) upon which the Stock Exchange is open for dealings;
"CCASS"	:	the Central Clearing and Settlement System established and operated by the HKSCC;
"Circular"	:	the Circular dated 19 September 2008 regarding, inter alia, the Acquisition and the Rights Issue;
"Completion"	:	the completion of the Transactions;
"CR Cement"	:	China Resources Cement Holdings Limited;
"CR Gas"	:	China Resources Gas Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China Resources Holdings;
"CR Gas Group"	:	CR Gas, its subsidiaries and its jointly-controlled entities;
"CR Gas Shares"	:	four (4) ordinary shares of par value US$1.00 each, being the entire issued share capital of CR Gas;

"CR Logic" or "the Company"	:	China Resources Logic Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"China Resources Holdings"	:	China Resources (Holdings) Company Limited, the substantial and controlling shareholder (as defined in the Listing Rules) of CR Logic holding approximately 68.83 per cent. of its issued share capital as at the date of this Prospectus or, where the context requires, the relevant subsidiary or subsidiaries thereof;
"China Resources Holdings Group"	:	China Resources Holdings and its subsidiaries;
"CNG"	:	compressed natural gas;
"Companies Ordinance"	:	the Companies Ordinance (Cap.32 of the Laws of Hong Kong);
"CRM"	:	China Resources Microelectronics Limited;
"Director(s)"	:	the directors of the Company;
"EAF(s)"	:	application form(s) for excess Rights Shares;
"Enlarged Group"	:	the Group, CR Gas and CR Gas' subsidiaries;
"Excluded Shareholder(s)"	:	the Overseas Shareholder(s) whom the Directors, based on legal advice provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in such place;
"First SGM"	:	the special general meeting of the Company convened and held for the Shareholders to consider and approve (among other things), if thought fit, the Transactions contemplated under the Transaction Agreements on Monday, 6 October 2008;
"Group"	:	the Company and its subsidiaries;
"HKSCC"	:	Hong Kong Securities Clearing Company Limited;
"Hong Kong"	:	the Hong Kong Special Administrative Region of the People's Republic of China;

"Independent Shareholders"	:	Shareholders other than the controlling shareholder of the Company, namely China Resources Holdings and its Associates;
"Last Trading Day"	:	Tuesday, 19 August 2008;
"Latest Practicable Date"	:	2 October 2008;
"Listing Rules"	:	the Rules Governing the Listing of Securities on the Stock Exchange;
"LPG"	:	liquefied petroleum gas;
"Macau"	:	Macau Special Administrative Region of the People's Republic of China;
"New Repurchase Mandate"	:	subject to the completion of the Transactions, the proposed ordinary resolution to the Shareholders at the Second SGM, as permitted by Rule 10.06(1) of the Listing Rules, to repurchase Shares not exceeding 10 per cent. of the Company's issued share capital as enlarged by the completion of the Rights Issue, being 141,441,671 Shares;
"Overseas Shareholder(s)"	:	Shareholder(s) with registered addresses (as shown in the register of members of the Company on the Record Date) outside Hong Kong;
"PAL(s)"	:	provisional allotment letter(s) for the Rights Issue;
"PRC"	:	the People's Republic of China, but for the purposes of this Prospectus only, excluding Hong Kong, Macau and Taiwan;
"Proposed Change of Name"	:	subject to the completion of the Transactions, the proposed special resolution to the Shareholders at the Second SGM to change the Company's name from "China Resources Logic Limited" to "China Resources Gas Group Limited" and its Chinese name from "華潤勵致有限公司" to "華潤燃氣控股有限公司" to reflect the completion of the Acquisition and to enable the investors and the Shareholders to have an easy recognition on the Group's future principal business activities;
"Proposed Directors"	:	the three additional directors (comprising one executive director, Mr. Wang Chuandong, and two non-executive directors, Mr. Ma Guoan and Mr. Wei Bin) proposed to be appointed to the Board upon Completion;

"Prospectus"	:	this prospectus issued by the Company in relation to the Rights Issue;
"Prospectus Posting Date"	:	Wednesday, 8 October 2008, being the date of despatch of this Prospectus;
"Qualifying Shareholder(s)"	:	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date;
"Record Date"	:	Monday, 6 October 2008, or such other date for determining the entitlement of the Qualifying Shareholders to the Rights Issue;
"Redland Concrete"	:	Redland Concrete Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
"Refreshment of the Issue Mandate"	:	subject to the completion of the Transactions, the proposed ordinary resolution to the Shareholders at the Second SGM and at which no Shareholder shall abstain from voting, as permitted by Rule 13.36(4)(e) of the Listing Rules, to top-up the general mandate from 56,576,668 Shares to 282,883,342 Shares (representing 20 per cent. of the Company's issued share capital as enlarged by the completion of the Rights Issue);
"Rights Issue"	:	the proposed issue of the Rights Shares by the Company on the basis of four (4) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price pursuant to the terms and conditions under the Rights Issue Documents;
"Rights Issue Documents"	:	the Prospectus, the PAL(s) and the EAF(s);
"Rights Share(s)"	:	1,131,533,368 new Shares to be issued by the Company under the Rights Issue;
"Second SGM"	:	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve (among other things), if thought fit, (i) the Proposed Change of Name; (ii) the Refreshment of the Issue Mandate; and (iii) the New Repurchase Mandate on or around Monday, 3 November 2008;

"Set-off Arrangement"	:	the set-off arrangements respectively provided in the Underwriting Agreement (as agreed between the parties to the Underwriting Agreement) and the PAL(s) allowing for the amount of the subscription monies in respect of the Rights Shares taken up by the Underwriter or allotted to and accepted by the Qualifying Shareholders (including China Resources Holdings and its Associates) to be set off against the consideration payable by the Company to China Resources Holdings for the Acquisition and any sums due from the Company to such Qualifying Shareholder under any existing legally valid, binding and enforceable agreement between the Company and such Qualifying Shareholder as determined by the Company, or where the context requires, either one of such arrangements;
"SFO"	:	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong);
"Share Purchase Agreement"	:	the Share Purchase Agreement entered into between the Company and China Resources Holdings dated 21 August 2008 in relation to the Acquisition;
"Share(s)"	:	the ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	:	person(s) whose name(s) appear on the register of members of the Company as registered holder(s) of Share(s);
"Share Optionholder(s)"	:	holders of outstanding Share Options;
"Share Option(s)"	:	share option(s) granted under the Share Option Scheme outstanding as at the Latest Practicable Date and which are exercisable on or before the Record Date;
"Share Option Scheme"	:	the share option scheme of the Company adopted on 26 November 2001 and subsequently amended on 21 February 2002;
"Splendid Time"	:	Splendid Time Investments Inc., an investment holding company with its sole investment being its approximately 39.2 per cent. equity interest in the Company, a wholly-owned subsidiary of China Resources Holdings;
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited;
"Subscription Price"	:	HK$3.42 per Rights Share;

"subsidiary"	:	shall have the meaning ascribed to that term in the Listing Rules;
"Transaction Agreements"	:	collectively, the Share Purchase Agreement and the Rights Issue Documents;
"Transactions"	:	collectively, the Acquisition and the Rights Issue;
"Undertaking Letter"	:	the undertaking letter to be provided by China Resources Holdings, Gold Touch Enterprises Inc., Waterside Holdings Limited and Splendid Time to the Company and the Underwriter;
"Underwriter"	:	Splendid Time;
"Underwriting Agreement"	:	the underwriting agreement dated 21 August 2008 entered into between the Company, the Underwriter and China Resources Holdings in relation to the Rights Issue;
"Underwritten Rights Shares"	:	all of the Rights Shares fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement;
"US$"	:	United States dollar(s), the lawful currency of the United States of America;
"USA"	:	the United States of America;
"HK$"	:	Hong Kong dollar(s), the lawful currency of Hong Kong; and
"%"	:	per cent.

All amounts in US$ have been translated in HK$ at a rate of US$1 = HK$7.8 in this Prospectus for illustration purpose only.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

Last day of dealings in Shares on a cum-rights basis	Friday, 26 September 2008
First day of dealings in Shares on an ex-rights basis	Monday, 29 September 2008
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 30 September 2008
Register of members of the Company closes (both days inclusive)	Thursday, 2 October 2008 to Monday, 6 October 2008
First SGM	Monday, 6 October 2008
Record Date	Monday, 6 October 2008
Announcement of results of the First SGM	Wednesday, 8 October 2008
Despatch of the Rights Issue Documents	Wednesday, 8 October 2008
Register of members re-opens	Wednesday, 8 October 2008
First day of dealings in nil-paid Rights Shares	Monday, 13 October 2008
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 14 October 2008
Last day of dealings in nil-paid Rights Shares	Friday, 17 October 2008
Latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares *(Note)*	4:00 p.m. on Wednesday, 22 October 2008

Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 27 October 2008
Announcement of results of the Rights Issue on or before	Wednesday, 29 October 2008
Despatch of refund cheques in respect of unsuccessful applications for the excess Rights Shares on or before	Thursday, 30 October 2008
Despatch of certificates for fully-paid Rights Shares on or before	Thursday, 30 October 2008
Commencement of dealings in full-paid Rights Shares	9:30 a.m. on Monday, 3 November 2008
Second SGM	Monday, 3 November 2008

Note: If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on the latest date for acceptance for the offer of Rights Shares at any time between 12:00 noon and 4:00 p.m., the latest acceptance time for the offer of the Rights Shares will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may, in its reasonable discretion, terminate the Underwriting Agreement at any time prior to 4:00 p.m. on the Allotment Date if:

(A) there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any change or prospective change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC and Bermuda or any other place in which any member of the Group conducts or carries on business; or

(ii) any change or prospective change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions; or

(iii) any change or prospective change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or

(iv) any material change in the business or in the financial or trading position or prospects of the Group; or

(v) any act of God, war, riot, public disorder, any outbreak or escalation of hostilities, declaration of emergency, calamity, crisis, epidemic, terrorism or any event or a series of events beyond the control of the Underwriter; or

(vi) any suspension in the trading of the Shares on the Stock Exchange; or

(vii) any litigation against any member of the Group by a third party; or

(viii) any moratorium on commercial banking activities having been declared by the PRC or Hong Kong authorities,

which, in the reasonable opinion of the Underwriter:

(x) is or is likely to have a material adverse effect on the Company or the Group or the Rights Issue; or

(y) has or is likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(z) is so material as to make it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or

(B) there comes to the notice of the Underwriter:

(i) any matter or event showing any of the representations and warranties or any undertakings of the Company under the Underwriting Agreement to be untrue or misleading or as having been breached in any respect; or

(ii) any change or development involving a prospective change in Hong Kong taxation or exchange control which will or may materially and adversely affect the Group or a material proportion of the existing Shareholders in their capacity as such,

then and in any such case the Underwriter may (but shall not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

In the event the Underwriter exercises its rights to terminate the Underwriting Agreement, the obligations of the parties shall cease and be null and void and none of the parties shall, save in respect of any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the others arising out of or in connection with the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

華潤勵致有限公司
China Resources Logic Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 1193)

Executive Directors:
Mr. Zhou Longshan
Mr. Ong Thiam Kin

Non-executive Directors:
Mr. Jiang Wei
Mr. Li Fuzuo
Mr. Du Wenmin

Independent Non-executive Directors:
Mr. Wong Tak Shing
Mr. Luk Chi Cheong
Dr. Yang Chonghe, Howard

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
Room 4006
40th Floor, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

8 October 2008

To the Shareholders

Dear Sir or Madam,

RIGHTS ISSUE OF 1,131,533,368 RIGHTS SHARES AT HK$3.42 EACH ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

I. INTRODUCTION

On 21 August 2008, the Board announced its proposed (i) Acquisition, (ii) Rights Issue, (iii) change of name of the Company and (iv) refreshment of general mandates to issue shares and repurchase shares.

On 21 August 2008, the Company entered into the Share Purchase Agreement to agree conditionally to acquire the entire issued share capital of CR Gas, a wholly-owned subsidiary of China Resources Holdings. To finance the Acquisition, the Company proposed to issue Rights Shares on the basis of four (4) Rights Shares for every one (1) existing share held at the close of business on the Record Date. The proceeds from the Rights Issue will be applied towards payment of the consideration for the Acquisition and the costs and expenses relating to the Acquisition and the Rights Issue.

On 19 September 2008, the Circular containing details of, inter alia, the Acquisition and the Rights Issue was despatched to each Shareholder. A copy of the Circular is available for inspection as set out in the paragraph headed "Documents available for inspection" in Appendix III to this Prospectus.

The primary purpose of this Prospectus is to provide you with further details regarding the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares, and certain financial and other information in respect of the Group.

II. THE RIGHTS ISSUE

In order to finance the Acquisition, the Company proposes to raise approximately HK$3,869.8 million before expenses by way of the Rights Issue of 1,131,533,368 Rights Shares at the Subscription Price of HK$3.42 per Rights Share on the basis of four (4) Rights Shares for every one (1) existing Share held at the close of business on the Record Date.

The proceeds from the Rights Issue will be applied towards payment of the consideration for the Acquisition and the costs and expenses relating to the Acquisition and the Rights Issue.

A. ISSUE STATISTICS OF THE RIGHTS ISSUE

Basis of the Rights Issue	Four (4) Rights Shares for every one (1) existing Share held on the Record Date by the Qualifying Shareholders
Subscription Price	HK$3.42 per Rights Share
Number of Shares in issue	282,883,342 Shares as at the Latest Practicable Date
Number of outstanding Share Options	212,000 Shares
Number of Rights Shares	1,131,533,368 Rights Shares
Underwriter	Splendid Time
Underwriting Commission	Nil

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be allotted and issued on or before the Record Date pursuant to the exercise of the Share Options. As at the Latest Practicable Date, the Company has 212,000 outstanding vested Share Options entitling the Share Optionholders to subscribe for 212,000 Shares. None of the Company's directors currently holds any Share Options. The Directors have also confirmed that, pursuant to the Model Code of the Listing Rules, they will not apply for excess Rights Shares under the Rights Issue. Save for the outstanding Share Options, there are no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Shares as at the Latest Practicable Date.

The nil-paid Rights Shares to be provisionally allotted pursuant to the terms of the Rights Issue represents approximately 400 per cent. of the Company's existing issued share capital as at the Latest Practicable Date or approximately 80 per cent. of the enlarged issued share capital of the Company immediately after the completion of the Rights Issue, assuming none of the Share Options is exercised on or before the Record Date.

Qualifying Shareholders

The Rights Issue Documents are being sent to the Qualifying Shareholders and, for information purposes only, this Prospectus is being sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder.

B. TERMS OF THE RIGHTS ISSUE

1. Subscription Price

The Subscription Price of HK$3.42 per Rights Share is, subject to the Set-off Arrangement, payable in full when a Qualifying Shareholder accepts the relevant provisional allotments under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 14.5 per cent. to the closing price of HK$4.00 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 29.9 per cent. to the average closing price of HK$4.88 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 35.7 per cent. to the average closing price of HK$5.32 per Share for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 3.4 per cent. to the theoretical ex-rights price of HK$3.54 per Share based on the closing price of HK$4.00 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a premium of approximately 216.7 per cent. to the audited net asset value as at 31 December 2007 of HK$1.08 per Share; and

(vi) a premium of approximately 185.0 per cent. to the unaudited net asset value as at 30 June 2008 of HK$1.20 per Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the prevailing Share prices prior to the Last Trading Day and the current financial position of the Group.

The Company considers that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

2. **Basis of Provisional Allotments**

Four (4) Rights Shares (in nil-paid form) for every one (1) existing Share held by Qualifying Shareholders as at the close of business on the Record Date.

3. **Status of the Rights Shares**

When allotted and fully paid, the Rights Shares will rank pari passu with the then existing Shares in issue in all respects. Holders of such Rights Shares will receive all future dividends and distributions, which may be declared, made or paid after, the date of allotment and issue of the Rights Shares.

4. **Rights of the Excluded Shareholders**

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda.

The Rights Issue Documents will not constitute an offer of transferable securities to the public in the United Kingdom or an admission of such securities to trading on a regulated market situated or operating in the United Kingdom requiring an approved prospectus under section 85 of the Financial Services and Markets Act 2000 ("FSMA") and, accordingly, the Rights Issue Documents do not constitute a prospectus for these purposes and have not been approved by the Financial Services Authority pursuant to section 85 of FSMA.

No part of the Rights Issue Documents should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company.

Based on the register of members of the Company as at the Latest Practicable Date, there were 7 Overseas Shareholders.

If, on the Record Date, there are any Overseas Shareholders, the Company will instruct its legal advisers to make enquiry regarding the applicable legal restrictions and regulatory requirements of the relevant jurisdictions outside Hong Kong in connection with extending the Rights Issue to such Overseas Shareholders. The Company will comply with all necessary requirements specified in Rule 13.36(2) of the Listing Rules and will only exclude from the Rights Issue such Overseas Shareholders who the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions, consider it necessary or expedient to do so. The basis of exclusion of such Overseas Shareholders from the Rights Issue, if any, will be disclosed in this Prospectus.

The Company will send this Prospectus to the Excluded Shareholders, if any, for their information only.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders, if any, to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be distributed pro rata to the Excluded Shareholders provided that the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold Rights Shares to which the Excluded Shareholders would otherwise have been entitled will be made available for applications for excess Rights Shares.

5. **Certificates for the Rights Shares and refund cheques for Rights Issue**

Subject to the fulfilment, or, (where applicable) waiver of the conditions of the Rights Issue, certificates for the fully-paid Rights Shares and refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares (if any) are expected to be posted to those entitled thereto by Thursday, 30 October 2008 at their own risk.

6. **Fractional entitlements to the Rights Shares**

Fractional entitlements to Rights Shares will not be provisionally allotted. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted to a nominee appointed by the Company and, if a premium (net of expenses) can be obtained, will be sold in the market. The net proceeds of such sale will be retained by the Company for its own benefit. Any unsold Rights Shares will be made available for excess application.

7. **Procedure for acceptance and payment or transfer**

A provisional allotment letter is enclosed with this Prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all Rights Shares provisionally allotted to him/her/it as specified in the provisional allotment letter, he/she/it must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 22 October 2008. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "China Resources Logic Limited — Rights Issue Account" and crossed "Account Payee Only".

It should be noted that unless the enclosed PAL, together with the appropriate remittance, has been lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at

26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 22 October 2008, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer all or part of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Tuesday, 14 October 2008 with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong after 9:00 a.m. on the second Business Day after the surrender of the original provisional allotment letter.

All cheques or cashier orders for the Rights Shares will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises its rights to terminate the Underwriting Agreement or if any of the conditions of the Rights Issue are not fulfilled on or before the time and date as specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be refunded to the applicants without interest by means of cheque(s) to be dispatched by ordinary mail at the risk of such applicants on or before Thursday, 30 October 2008.

8. **Application for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply for any unsold entitlements of the Excluded Shareholders, any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders, and any unsold Rights Shares created by aggregating fractions of the Rights Shares.

Applications may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(i) preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings; and

(ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Rights Shares applied by them, with board lots allocation to be made on best effort's basis.

Shareholders with their Shares held by nominee(s) should note that the Board would regard the nominee as a single Shareholder according to the register of members of the Company, and thus, in such case, the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to the beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of their relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 22 October 2008, or such later time and/or date as may be agreed between the Company and the Underwriter. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "China Resources Logic Limited — Excess Application Account" and crossed "Account Payee Only".

If the Underwriter exercises its rights to terminate the Underwriting Agreement or if any of the conditions of the Rights Issue are not fulfilled on or before the time and date as specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be refunded to the applicants without interest by means of cheque(s) to be dispatched by ordinary mail at the risk of such applicants on or about Thursday, 30 October 2008.

9. **Set-off Arrangement**

A Qualifying Shareholder shall be entitled to set off all or part of the aggregate subscription monies in respect of the Rights Shares against such sums due from the Company to such Qualifying Shareholder under any existing legally valid, binding and enforceable agreement between the Company and such Qualifying Shareholder as determined by the Company.

10. **Application for listing**

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil-paid and fully-paid forms. The Rights Shares do not constitute a new class of securities to be listed on the Stock Exchange. No part of the share capital of the Company is listed or dealt in on any other stock exchange, nor is listing of or permission to deal in the share capital or any part of the share capital of the Company being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (as the Shares are currently traded on the Stock Exchange in board lots of 2,000).

Dealings in the nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

11. **Conditions of the Rights Issue**

The Rights Issue is conditional, amongst other things, on:

(i) the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof; and

(ii) the passing of the relevant resolution by the Independent Shareholders at the First SGM approving the Rights Issue on or before the Prospectus Posting Date.

C. **UNDERWRITING ARRANGEMENTS**

Undertakings from China Resources Holdings

As at the date of this Prospectus, China Resources Holdings is, or is deemed under the SFO to be, interested in 194,710,215 Shares in total, representing approximately 68.83 per cent. of the existing issued share capital of the Company. China Resources Holdings and its subsidiaries which have shareholdings in the Company (namely, Gold Touch Enterprises Inc., Waterside Holdings Limited and Splendid Time) will each receive a pro rata entitlement to Rights Shares in its capacity as a Shareholder. Each of China Resources Holdings and the above subsidiaries will undertake to the Company either to take up all of the Rights Shares to be provisionally allotted to it on a pro rata basis in full or to renounce its full entitlement of the Rights Shares in favour of Splendid Time (as appropriate).

The Set-off Arrangement

The parties to the Underwriting Agreement agree that the aggregate amount of the subscription monies in respect of any Rights Shares to be taken up by the Underwriter as the underwriter to the Rights Issue, in case of under-subscription of the Rights Issue, may be set off against the consideration payable by the Company to China Resources Holdings for the Acquisition.

The Directors consider that the Set-off Arrangement is fair and reasonable insofar as the Shareholders are concerned.

Assuming none of the Share Options is exercised on or before the Record Date, the estimated cash proceeds of the Rights Issue following payment of the corresponding part of the consideration for the Acquisition pursuant to the Set-off Arrangement will be not less than HK$55.0 million (assuming all the Underwritten Shares are taken up by the Underwriter pursuant to the Underwriting Agreement), and not more than HK$1,206.2 million (assuming all the Rights Shares are fully subscribed).

Principal terms of the Underwriting Agreement

Date:	21 August 2008
Underwriter:	Splendid Time
Number of the Underwritten Shares:	Not less than 1,131,533,368 Underwritten Rights Shares (assuming none of the Share Options is exercised on or before the Record Date); and Not more than 1,132,381,368 Underwritten Rights Shares (assuming all of the Share Options are exercised on or before the Record Date)

The obligations of the Underwriter in respect of the Underwritten Rights Shares which have not been taken up shall be subject to adjustment in accordance with the provisions of the Underwriting Agreement in relation to Rights Shares procured to be subscribed by the Underwriter in compliance with the terms of the Rights Issue Documents.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional upon, among other things:

(i) the Share Purchase Agreement becoming unconditional and has not been terminated;

(ii) delivery of the Undertaking Letter duly executed by each of Gold Touch Enterprises Inc, Waterside Holdings Limited, Splendid Time and China Resources Holdings to the Company and the Underwriter, and each of Gold Touch Enterprises Inc, Waterside Holdings Limited, Splendid Time and China Resources Holdings having honoured its obligations to either take up its proportional entitlements to the Rights Shares or to renounce its full entitlement of the Rights Shares in favour of Splendid Time (as appropriate) pursuant to the Undertaking Letter;

(iii) all necessary approvals, permits, waivers, consents and authorisations having been obtained for the Rights Issue, the provisional allotment and allotment of the Rights Shares;

(iv) the Stock Exchange granting or agreeing to grant (subject to allotment) listing of, and permission to deal in, all the Rights Shares, in their nil-paid and fully-paid forms, by not later than Friday, 10 October 2008 and Friday, 31 October 2008 respectively and such listing not being revoked prior to 4.00 p.m. on the day which is the third Business Day following the Acceptance Date;

(v) the delivery on or before the Prospectus Posting Date of one such signed copy of each of the Rights Issue Documents to the Underwriter and the Stock Exchange;

(vi) the filing and registration on or prior to the Prospectus Posting Date of one such signed copy of each of the Rights Issue Documents (and all other documents required to be attached) with the Registrar of Companies in Hong Kong, complying with the requirements of the Companies Ordinance;

(vii) the filing on or prior to the Prospectus Posting Date of one such signed copy of each of the Rights Issue Documents (and all other documents required to be attached thereto) with the Registrar of Companies in Bermuda, complying with the requirements of the Companies Act 1981 of Bermuda (as amended);

(viii) the posting of the Rights Issue Documents to the Qualifying Shareholders on or before the Prospectus Posting Date; and

(ix) the Underwriting Agreement becoming unconditional and not being terminated by the Underwriter.

If any of the above conditions are not fulfilled or waived on or before the time and date specified therein or, in the absence of such specification, the Allotment Date (or such later time and/or date as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate (save in respect of certain rights or obligations under the Underwriting Agreement) and neither the Company nor the Underwriter shall have any claim against the other parties and the Company shall reimburse the Underwriter all reasonable costs and expenses incurred by it in connection with the Rights Issue.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may, in its reasonable discretion, terminate the Underwriting Agreement at any time prior to 4:00 p.m. on the Allotment Date if:

(A) there shall develop, occur, exist or come into effect:

    (i) any new law or regulation or any change or prospective change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC and Bermuda or any other place in which any member of the Group conducts or carries on business; or

    (ii) any change or prospective change in, or any event or series of events resulting or likely to result in any change in local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions; or

(iii) any change or prospective change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise); or

(iv) any material change in the business or in the financial or trading position or prospects of the Group; or

(v) any act of God, war, riot, public disorder, any outbreak or escalation of hostilities, declaration of emergency, calamity, crisis, epidemic, terrorism or any event or a series of events beyond the control of the Underwriter; or

(vi) any suspension in the trading of the Shares on the Stock Exchange; or

(vii) any litigation against any member of the Group by a third party; or

(viii) any moratorium on commercial banking activities having been declared by the PRC or Hong Kong authorities,

which, in the reasonable opinion of the Underwriter:

(x) is or is likely to have a material adverse effect on the Company or the Group or the Rights Issue; or

(y) has or is likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(z) is so material as to make it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or

(B) there comes to the notice of the Underwriter:

(i) any matter or event showing any of the representations and warranties or any undertakings of the Company under the Underwriting Agreement to be untrue or misleading or as having been breached in any respect; or

(ii) any change or development involving a prospective change in Hong Kong taxation or exchange control which will or may materially and adversely affect the Group or a material proportion of the existing Shareholders in their capacity as such,

then and in any such case the Underwriter may (but shall not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

In the event the Underwriter exercises its rights to terminate the Underwriting Agreement, the obligations of the parties shall cease and be null and void and none of the parties shall, save in respect of any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the others arising out of or in connection with the Underwriting Agreement.

Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the entering into the Underwriting Agreement by the parties constitutes an exempted connected transaction of the Company and is therefore exempt from the reporting, announcement and independent shareholders approval requirements.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

D. REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The proceeds of HK$3,869.8 million from the Rights Issue will be applied towards the payment of the consideration for the Acquisition and the costs and expenses relating to the Acquisition and the Rights Issue. As discussed above, the Directors consider the terms and conditions of the Acquisition and the Share Purchase Agreement are in the interests of the Company and the Shareholders as a whole for the reasons stated above. Accordingly, the Directors consider that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to raise the required financing for the Acquisition by way of the Rights Issue as the exercise provides opportunities for the Shareholders to maintain their stakes in the Company and to enjoy the anticipated benefits from the Acquisition.

E. FUND-RAISING ACTIVITIES OF THE GROUP DURING THE PAST TWELVE MONTHS

The Company has not engaged in or initiated any equity fund raising exercise during the past 12 months immediately before the date of this Prospectus any rights issue exercise prior to such 12-month period.

F. POSSIBLE CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE RIGHTS ISSUE

As at the Latest Practicable Date, there are a total of 282,883,342 Shares in issue and the Company has 212,000 outstanding vested Share Options entitling the Share Optionholders to subscribe for 212,000 Shares. Save for the outstanding Share Options, there are no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Shares as at the date of this Prospectus.

Set out below is the shareholding structure of the Company as at the date of this Prospectus and the possible shareholding structure immediately after the completion of the Rights Issue:

	As at the date of this Prospectus on the assumption as set out in Note 1		Immediately after completion of the Rights Issue on the assumption as set out in Note 2		Immediately after completion of the rights Issue on the assumption as set out in Note 3	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Substantial Shareholders :						
Gold Touch Enterprises Inc. (“**Gold Touch**”)	29,722,960	10.51	148,614,800	10.51	148,614,800	10.51
Waterside Holdings Limited (“**Waterside**”)	53,534,774	18.92	267,673,870	18.92	267,673,870	18.92
Splendid Time	110,968,881	39.23	554,844,405	39.23	907,536,913	64.16
China Resources Holdings*	194,710,215	68.83	973,551,075	68.83	1,326,243,583	93.77
CRC Bluesky Limited (“**CRC Bluesky**”)	194,710,215	68.83	973,551,075	68.83	1,326,243,583	93.77
China Resources Co., Limited (“**CRCL**”)	194,710,215	68.83	973,551,075	68.83	1,326,243,583	93.77
China Resources National Corp. (“**CRN**”)	194,710,215	68.83	973,551,075	68.83	1,326,243,583	93.77
Directors						
Mr. Zhou Longshan	6,000	0.0021	30,000	0.0021	6,000	0.0004
Mr. Li Fuzuo	51,000	0.0180	255,000	0.0180	51,000	0.0036
Mr. Du Wenmin	54,000	0.0191	270,000	0.0191	54,000	0.0038
Mr. Wong Tak Shing	40,000	0.0141	200,000	0.0141	40,000	0.0028
Public Shareholders	88,022,127	31.12	440,110,635	31.12	88,022,127	6.22
Total	282,883,342	100	1,414,416,710	100	1,414,416,710	100

Notes:

* Gold Touch, Waterside and Splendid Time each directly holds 29,722,960 Shares, 53,534,774 Shares and 110,968,881 Shares respectively in the Company. Gold Touch, Waterside and Splendid Time are wholly-owned subsidiaries of China Resources Holdings, which is therefore deemed to be interested in 194,226,615 Shares of the Company under Part XV of the SFO. In addition, China Resources Holdings directly holds 483,600 Shares in the Company. China Resources Holdings is a wholly-owned subsidiary of CRC Bluesky. CRC Bluesky is a wholly-owned subsidiary of CRCL which in turn is 99.98% owned by CRN. CRC Bluesky, CRCL and CRN are all therefore deemed to be interested in 194,710,215 Shares of the Company under Part XV of the SFO.

1. Assuming none of the Share Options is exercised on or before the Record Date.

2. Assuming (i) none of the Share Options is exercised on or before the Record Date; (ii) all the Shareholders take up their respective provisional allotments of the Rights Shares in full; and (iii) fractional entitlements are sold in the open market or allotted to public shareholders under excess applications.

3. Assuming (i) none of the Share Options is exercised on or before the Record Date; (ii) none of the Shareholders (save for Gold Touch, Waterside, Splendid Time and China Resources Holdings) takes up any provisional allotments of the Rights Shares; and (iii) all the Underwritten Shares are taken up by the Underwriter pursuant to the Underwriting Agreement.

Restoration of Public Float

As shown under the section headed "Possible change in the shareholding structure of the Company as a result of the Rights Issue" above, immediately upon the completion of the Rights Issue, assuming no Rights Issue Shares is taken up by the Independent Shareholders, the public float of the Company will decrease to approximately 6.22 per cent. In this regard, China Resources Holdings has undertaken to dispose of such number of Underwritten Shares to independent third parties to comply with the public float requirements under the Listing Rules in the event that the percentage of public float resulting from completion of the Rights Issue falls below the required minimum percentage under the Listing Rules in respect of the Company. China Resources Holdings shall take appropriate steps/measures to ensure sufficient public float of the Shares upon completion of the Rights Issue.

G. WARNING OF THE RISK OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis from Monday, 29 September 2008. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 13 October 2008 to Friday, 17 October 2008 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled on or before the Allotment Date (or such later time and/or date as the Company and the Underwriter may determine in writing), the Rights Issue will not proceed.

Any persons contemplating dealing in the Shares prior to the date on which all the conditions of the Rights Issue are fulfilled, and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not be unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares and/or nil-paid Rights Shares are recommended to consult their own professional adviser(s).

H. ADJUSTMENTS TO THE SHARE OPTIONS GRANTED BY THE COMPANY

The Rights Issue will cause adjustments to the subscription price and the number of Shares to be issued under the outstanding Share Options under the terms of the Share Option Scheme. Adjustments to certain terms of the Share Options shall be made pursuant to the Share Option Scheme and in compliance with Rule 17.03(13) of the Listing Rules. Auditors will be engaged by the Company to confirm to the Directors in writing that such adjustments satisfy the requirements under Listing Rule 17.03(13) of the Listing Rules. The Company will inform the Share Optionholders of the Share Options of such adjustments accordingly by written notice to each of the Share Optionholders.

III. LISTING RULES IMPLICATIONS

The completion of the proposed Rights Issue would increase the issued share capital of the Company by more than 50 per cent. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is conditional on the approval by the Independent Shareholders in the First SGM on a vote taken by way of poll at the First SGM. At the First SGM, held on Monday, 6 October, the Rights Issue was approved by the Independent Shareholders. China Resources Holdings, the controlling shareholder of the Company (as defined in the Listing Rules) and its Associates abstained from voting in favour of the Rights Issue at the First SGM.

IV. FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

By order of the Board of
China Resources Logic Limited
Zhou Longshan
Chairman

SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2005, 2006 and 2007 as extracted from the published annual reports of CR Logic.

Consolidated Income Statement

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Continuing operation	3,016,902	2,086,396	2,863,232
Discontinued operation	1,247,230	1,364,263	201,215
	4,264,132	3,450,659	3,064,447
Cost of sales	(3,267,584)	(2,602,462)	(2,248,895)
Gross profit	996,548	848,197	815,552
Other income	111,239	104,199	138,583
Selling and distribution expenses	(156,336)	(129,972)	(130,410)
Administrative expenses	(359,175)	(301,962)	(260,976)
Other expenses	(233,239)	(161,255)	(134,065)
Profit from operations	359,037	359,207	428,684
Finance costs	(104,367)	(89,601)	(51,038)
Share of results of an associate	—	1,103	(12,541)
Gain on disposal of discontinued operation	61,864	—	74,295
Loss on closure of a production plant	(69,868)	—	—
Gain (loss) on deemed disposal of an associate	—	1,590	(2,826)
Discount on acquisition of subsidiaries	—	41,296	—
Profit before taxation			
Continuing operation	130,912	208,660	341,637
Discontinued operation	115,754	104,935	94,937
	246,666	313,595	436,574
Taxation			
Continuing operation	(41,102)	(21,552)	(30,371)
Discontinued operation	(6,696)	(11,647)	(2,104)
	(47,798)	(33,199)	(32,475)
Profit for the year			
Continuing operation	89,810	187,108	311,266
Discontinued operation	109,058	93,288	92,833
	198,868	280,396	404,099

	For the year ended 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Attributable to:			
Equity holders of the Company			
Continuing operation	60,411	171,992	223,948
Discontinued operation	91,950	60,425	92,833
	152,361	232,417	316,781
Minority interests	46,507	47,979	87,318
	198,868	280,396	404,099
	HK Cents	*HK Cents*	*HK Cents*
Dividend per share			
Interim dividend paid	1.00	1.00	1.00
Final dividend proposed	—	1.00	2.00
	1.00	2.00	3.00
Earnings per share			
From continuing and discontinued operations			
Basic	5.48	8.57	11.90
Diluted	5.37	8.49	11.78
From continuing operation			
Basic	2.17	6.34	8.41
Diluted	2.11	6.28	8.33

Consolidated Balance Sheet

	As at 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	3,949,268	4,217,639	2,489,740
Prepaid lease payments	160,266	172,559	161,125
Investment properties	—	—	50,649
Interest in an associate	—	—	289,380
Available-for-sale investments	9,904	10,105	998
Goodwill	24,060	152,777	152,777
Technical know-how	35,678	53,663	19,235
Deferred tax assets	10,886	16,416	11,691
Deposit for acquisition of property, plant and equipment	17,011	63,205	—
	4,207,073	4,686,364	3,175,595
Current assets			
Inventories	813,870	1,068,568	739,697
Debtors, deposits and prepayments	1,029,983	1,622,459	1,163,649
Prepaid lease payments	3,928	4,625	4,366
Amount due from an associate	—	—	10,236
Amounts due from minority shareholders	—	2,164	5,188
Tax recoverable	4,172	10,057	—
Pledged bank deposits	6,030	7,642	2,695
Bank balances and cash	867,908	521,250	470,009
	2,725,891	3,236,765	2,395,840
Assets classified as held for sale	46,708	—	—
	2,772,599	3,236,765	2,395,840

	As at 31 December		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Creditors and accrued charges	1,313,849	1,595,098	984,551
Government grants — current portion	13,221	10,520	—
Amount due to an associate	—	—	38,558
Amounts due to minority shareholders	—	85,213	61,547
Bank borrowings	682,762	1,706,617	523,630
Provisions	42,183	77,111	93,332
Taxation	10,327	8,133	2,863
	2,062,342	3,482,692	1,704,481
Net current assets (liabilities)	710,257	(245,927)	691,359
Total assets less current liabilities	4,917,330	4,440,437	3,866,954
Capital and reserves			
Share capital	281,215	276,580	266,491
Share premium and reserves	2,770,716	2,478,511	2,130,178
Equity attributable to equity holders of the Company	3,051,931	2,755,091	2,396,669
Share option reserve of a listed subsidiary	10,840	5,805	—
Minority interests	515,041	1,048,727	627,119
Total equity	3,577,812	3,809,623	3,023,788
Non-current liabilities			
Bank borrowings	1,174,746	522,306	843,166
Long-term payables	66,026	66,025	—
Government grants	98,746	42,483	—
	1,339,518	630,814	843,166
	4,917,330	4,440,437	3,866,954

UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008

The following is a summary of the unaudited financial statements of the Group for the six months ended 30 June 2008 as extracted from the published 2008 interim report of CR Logic.

Condensed Consolidated Income Statement

For the six months ended 30th June, 2008

		Six months ended 30th June,	
		2008	2007
			(restated and
		(unaudited)	*unaudited)*
	NOTES	*HK$'000*	*HK$'000*
Turnover	4		
Continuing operations		188,402	176,878
Discontinued operations	6	428,201	2,451,847
		616,603	2,628,725
Cost of sales		(450,218)	(2,038,878)
Gross profit		166,385	589,847
Other income		11,864	66,408
Selling and distribution expenses		(32,243)	(123,087)
Administrative expenses		(81,473)	(191,295)
Other expenses		(64,746)	(120,525)
Finance costs		(14,791)	(59,789)
Share of results of an associate		(2)	—
(Loss) profit before taxation			
Continuing operations		36,086	(6,501)
Discontinued operations	6	(51,092)	168,060
		(15,006)	161,559

	NOTES	Six months ended 30th June, 2008 (unaudited) HK$'000	2007 (restated and unaudited) HK$'000
Taxation	5		
Continuing operations		(7,651)	(5,600)
Discontinued operations	6	(617)	(20,675)
		(8,268)	(26,275)
(Loss) profit for the period	7		
Continuing operations		28,435	(12,101)
Discontinued operations	6	(51,709)	147,385
		(23,274)	135,284
Attributable to:			
Equity holders of the Company			
Continuing operations		28,435	(12,101)
Discontinued operations	6	(45,635)	125,370
		(17,200)	113,269
Minority interests		(6,074)	22,015
		(23,274)	135,284
Dividends paid		—	27,671
Distribution by way of dividend in specie	8	2,731,463	—
		2,731,463	27,671
Proposed interim dividend of nil (2007: 1.0 HK cent) per share	8	—	27,937
		HK$	HK$
(Loss) earnings per share	9		
From continuing and discontinued operations			
— Basic		(0.06)	0.41
— Diluted		N/A	0.40
From continuing operations			
— Basic		0.10	(0.04)
— Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

At 30th June, 2008

	NOTES	At 30th June, 2008 (unaudited) HK$'000	At 31st December, 2007 (restated and audited) HK$'000
Non-current assets			
Property, plant and equipment	10	195,815	4,167,395
Prepaid lease payments		—	160,266
Investment properties	10	17,986	—
Interest in an associate		46	48
Available-for-sale investments		14,330	16,131
Goodwill		—	24,060
Technical know-how		—	35,678
Deferred tax assets		5,031	15,767
Deposits for acquisition of property, plant and equipment		—	17,011
		233,208	4,436,356
Current assets			
Inventories		1,958	815,876
Debtors, deposits and prepayments	11	68,153	1,097,640
Prepaid lease payments		—	3,928
Taxation recoverable		—	4,172
Pledged bank deposits		740	6,030
Bank balances and cash		85,996	883,543
		156,847	2,811,189
Assets classified as held for sale	6	52,969	46,708
		209,816	2,857,897
Current liabilities			
Creditors and accrued charges	12	60,437	1,363,655
Government grants		—	13,221
Bank borrowings	13	—	682,762
Provisions		—	42,183
Taxation payable		14,296	16,535
		74,733	2,118,356
Net current assets		135,083	739,541
Total assets less current liabilities		368,291	5,175,897

	NOTES	At 30th June, 2008 (unaudited) HK$'000	At 31st December, 2007 (restated and audited) HK$'000
Capital and reserves			
Share capital	14	28,288	281,215
Share premium and reserves		310,313	2,999,305
Equity attributable to equity holders of the Company		338,601	3,280,520
Share option reserve of a listed subsidiary		—	10,840
Minority interests		—	515,041
Total equity		338,601	3,806,401
Non-current liabilities			
Bank borrowings	13	—	1,174,746
Long-term payables		—	66,026
Government grants		—	98,746
Deferred tax liabilities		29,690	29,978
		29,690	1,369,496
		368,291	5,175,897

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Translation reserve	Share option reserve	Other reserves	Merger reserve	Retained profits	Total	Share option reserve of a listed subsidiary	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note b)*	*HK$'000* *(Note d)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2008 (restated and audited)	281,215	1,015,332	3,816	356,244	13,436	109,015	300	1,501,162	3,280,520	10,840	515,041	3,806,401
Exchange differences recognised directly in equity *(Note a)*	—	—	—	144	—	—	—	—	144	—	115	259
Loss for the period	—	—	—	—	—	—	—	(17,200)	(17,200)	—	(6,074)	(23,274)
Total recognised income (expense) for the period	—	—	—	144	—	—	—	(17,200)	(17,056)	—	(5,959)	(23,015)
Shares issued at premium upon exercise of share options	1,668	10,720	—	—	—	—	—	—	12,388	—	—	12,388
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	1,129	430	1,559
Capital reduction	(254,595)	(1,026,052)	—	—	—	—	—	1,280,647	—	—	—	—
Deemed distribution *(Note c)*	—	—	—	—	—	—	(217,757)	—	(217,757)	—	—	(217,757)
Distribution by way of dividend in specie	—	—	—	—	—	—	—	(2,731,463)	(2,731,463)	—	(509,512)	(3,240,975)
Release of reserves upon distribution by way of dividend in specie	—	—	—	(356,388)	—	(109,015)	—	477,372	11,969	(11,969)	—	—
At 30th June, 2008 (unaudited)	28,288	—	3,816	—	13,436	—	(217,457)	510,518	338,601	—	—	338,601
At 1st January, 2007 (restated and audited)	276,580	987,987	3,816	189,047	12,526	120,515	300	1,440,449	3,031,220	5,805	1,048,727	4,085,752
Exchange differences recognised directly in equity *(Note a)*	—	—	—	123,106	—	—	—	—	123,106	—	34,740	157,846
Profit for the period	—	—	—	—	—	—	—	113,269	113,269	—	22,015	135,284
Total recognised income for the period	—	—	—	123,106	—	—	—	113,269	236,375	—	56,755	293,130

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Translation reserve	Share option reserve	Other reserves	Merger reserve	Retained profits	Total	Share option reserve of a listed subsidiary	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Note b)	*(Note d)*					
Shares issued at premium upon exercise of share options	1,567	8,292	—	—	—	—	—	—	9,859	—	—	9,859
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	2,726	1,026	3,752
Transfers between categories	—	—	—	—	—	6,568	—	(6,568)	—	—	—	—
Dividends paid	—	—	—	—	—	—	—	(27,671)	(27,671)	—	—	(27,671)
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	(29,856)	(29,856)
At 30th June, 2007 (restated and unaudited)	278,147	996,279	3,816	312,153	12,526	127,083	300	1,519,479	3,249,783	8,531	1,076,652	4,334,966

Notes:

(a) The exchange differences arose from translation of the assets and liabilities of foreign operations into the presentation currency.

(b) Other reserves comprise general reserve, statutory surplus reserve, enterprise expansion fund, statutory public welfare fund and discretionary surplus reserve of subsidiaries established in the People's Republic of China (the "PRC").

(c) On 5th March, 2008, the Group acquired 100% equity interest in Redland Concrete Limited ("Redland Concrete") from China Resources Concrete Limited ("CR Concrete") for a cash consideration of approximately HK$217,757,000. This is a business combination that involves entities under common control as explained in Note 2. The transaction is accounted for in accordance with the Accounting Guideline 5 "Merger Accounting under Common Control Combination" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The cash paid to CR Concrete of HK$217,757,000 was treated as a deemed distribution.

(d) Merger reserve as at 30th June, 2008 represented the difference between the cash consideration paid by the Group of approximately HK$217,757,000 and the amount of the issued capital of Redland Concrete with nominal value of HK$300,000. The amount as at 30th June, 2007 represented the amount of the issued capital of Redland Concrete.

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2008

	Six months ended 30th June, 2008	2007
		(restated and
	(unaudited)	*unaudited)*
	HK$'000	*HK$'000*
Net cash from operating activities	91,148	292,043
Investing activities		
Government grant received	7,993	—
Proceeds on disposal of property, plant and equipment	1,745	11,809
Disposal of subsidiaries	(508,688)	—
Payments and deposits for acquisition of property, plant and equipment	(215,132)	(347,797)
Advance to former immediate holding company	—	(63,090)
Payments for acquisition of available-for-sale investments	(1,145)	(1,286)
Other investing cash flows (net)	4,287	5,115
Net cash used in investing activities	(710,940)	(395,249)
Financing activities		
New bank loans raised	272,390	1,662,865
Repayments of borrowings	(230,911)	(1,447,831)
Deemed distribution in relation to the acquisition of Redland Concrete	(217,757)	—
Other financing cash flows (net)	(1,736)	(47,840)
Dividends paid	—	(27,671)
Dividends paid to minority shareholders of subsidiaries	—	(29,856)
Net cash (used in) generated from financing activities	(178,014)	109,667
Net (decrease) increase in cash and cash equivalents	(797,806)	6,461
Cash and cash equivalents at beginning of the period	883,543	544,364
Effect of foreign exchange rate changes	259	5,643
Cash and cash equivalents at end of the period, representing bank balances and cash	85,996	556,468

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

1. GENERAL

The Company is a listed public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's parent company is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong and its ultimate holding company is China Resources National Corp. ("CRNC"), a company established in the PRC.

As part of the group reorganisation (the "Group Reorganisation") with details set out in the Company's circular dated 16th January, 2008, the Company acquired the entire equity interests in Redland Concrete. The acquisition was completed on 5th March, 2008, and the Group would engage in the supply of ready mixed concrete and related products to the Hong Kong and Macau markets.

The interim results of the Group are unaudited and have been reviewed by the Company's Audit Committee.

2. BASIS OF PREPARATION

During the six months ended 30th June, 2007 and 2008, the Company is the holding company of the companies now comprising the Group except for Redland Concrete and its subsidiaries. Under the Group Reorganisation, Rich Team Resources Limited, a wholly-owned subsidiary of the Company which was incorporated on 30th October, 2007, acquired the entire equity interests in Redland Concrete from CR Concrete, a fellow subsidiary of the Company, at a cash consideration of approximately HK$217,757,000.

Both the Group and Redland Concrete are ultimately controlled by CRNC before and after the Group Reorganisation, and that control is not transitory. The Group and Redland Concrete and its subsidiaries are regarded as a continuing entity and hence the acquisition has been accounted for as a combination of entities under common control by applying the principles of merger accounting in accordance with AG 5 issued by the HKICPA. Accordingly, the condensed consolidated income statements, condensed consolidated statements of changes in equity and the condensed consolidated cash flow statements of the Group for the six months ended 30th June, 2007 and 2008 include the results of operations, changes in equity and cash flows of the companies now comprising the Group as if the current group structure upon the completion of the Group Reorganisation had been in existence throughout the six months ended 30th June, 2007 and 2008, or since their respective dates of incorporation or establishment where this is a shorter period. The condensed consolidated balance sheet of the Group as at 31st December, 2007 has been prepared to present the assets and liabilities of the companies now comprising the Group as if current group structure had been in existence as at the respective date.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2007, except for the application of AG 5 as stated in Note 2. The condensed consolidated financial statements have been prepared as if Redland Concrete and its subsidiaries were the Group's wholly-owned subsidiaries throughout the six months ended 30th June, 2007 and 2008, or since their respective dates of incorporation or establishment where this is a shorter period.

In addition, the Group has applied the following accounting policy for distribution in specie during the current interim period:

Distribution in specie is measured at the carrying value of the net assets of subsidiaries distributed at the date of the distribution.

In the current interim period, the Group has applied, for the first time, the new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2008. The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or the prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other standards or interpretations will have no material impact on the results and the financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions — semiconductor and concrete. These divisions are the bases on which the Group reports its primary segment information.

The activities of these divisions are as follows:

Semiconductor — design, fabrication and packaging of integrated circuits and discrete devices

Concrete — manufacture and sale of concrete

During the six months ended 30th June, 2008, the Group disposed of all of its equity interests in its subsidiary, China Resources Microelectronics Limited ("CR Microelectronics"), by way of a distribution in specie, with details set out in Note 15. Upon completion of the disposal, the Group is principally engaged in the concrete operation.

The Group was also involved in the following division in prior period:

Compressor — manufacture of compressor for air-conditioners (discontinued on 16th August, 2007)

Results for the six months ended 30th June, 2008

	Continuing operations Concrete	Discontinued operations Semiconductor	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External sales	188,402	428,201	616,603
Result			
Segment results	41,946	(39,067)	2,879
Unallocated income			2,952
Unallocated expenses			(6,044)
Finance costs			(14,791)
Share of results of an associate			(2)
Loss before taxation			(15,006)
Taxation			(8,268)
Loss for the period			(23,274)

Results for the six months ended 30th June, 2007

	Continuing operations	Discontinued operations			
	Concrete	Semiconductor	Compressor	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
External sales	176,878	1,329,469	1,122,378	2,451,847	2,628,725
Result					
Segment results	28,650	151,372	56,312	207,684	236,334
Unallocated income	950			3,152	4,102
Unallocated expenses	(15,730)			(3,358)	(19,088)
Finance costs	(20,371)			(39,418)	(59,789)
(Loss) profit before taxation	(6,501)			168,060	161,559
Taxation	(5,600)			(20,675)	(26,275)
(Loss) profit for the period	(12,101)			147,385	135,284

5. TAXATION

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Current tax		
PRC	1,537	19,366
Hong Kong	8,089	7,723
Overprovision in prior years	—	(11)
	9,626	27,078
Deferred tax	(1,358)	(803)
	8,268	26,275

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the 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 current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June, 2008.

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1st January, 2008, except for those subsidiaries regarded as advanced technology enterprises by the local tax bureau which are subject to a tax rate of 15%.

6. DISCONTINUED OPERATIONS

On 4th December, 2007, the Company entered into a conditional agreement with its subsidiary, CR Microelectronics, for the sale of the entire interests in certain of the Company's wholly-owned subsidiaries engaging principally in the manufacture of semiconductors and the shareholders' loans advanced to these subsidiaries to CR Microelectronics, for an aggregate consideration of HK$1,488,900,000 which was satisfied by the issue of 3,106,932,317 shares in CR Microelectronics to the Company. The disposal of these subsidiaries was approved at a special general meeting held on 13th February, 2008 and was completed on 5th March, 2008.

Immediately after the disposal, the Company distributed all of its shares in CR Microelectronics, by way of a dividend in specie on the basis of 180 shares in CR Microelectronics for every 100 shares in the Company held. After the distribution of dividend in specie, the entire equity interests held in CR Microelectronics by the Company were disposed of.

The disposal of subsidiaries and distribution of shares in CR Microelectronics are part of the Group Reorganisation, and upon signing the above-mentioned conditional agreement with CR Microelectronics, the management had the intention to dispose of the entire equity interests in China Resources Semiconductor Company Limited ("CRSC"), a wholly-owned subsidiary of the Company which is engaged in manufacture and sales of integrated circuit design and wafer packaging, so that the Group would principally engage in the concrete operations after acquisition of Redland Concrete. On 25th April, 2008, the Group entered into a non-legally binding letter of intent with independent third parties for the disposal of entire equity interests in CRSC. The semiconductor operation is presented as a discontinued operation and the assets of CRSC are classified as disposal group held for sale and are presented separately in the consolidated balance sheet as at 30th June, 2008 and 31st December, 2007. The estimated proceeds of disposal are expected to be lower than the net carrying amount of the relevant assets and accordingly, an impairment loss of HK$8,000,000 has been recognised during the six months ended 30th June, 2008.

On 10th June, 2008, the Group entered into an asset transfer agreement with Sean Trump Investments Limited, a wholly-owned subsidiary of CR Microelectronics, to dispose of certain of its property, plant and equipment and inventories with the aggregate carrying amount of HK$17,125,000. The disposal was completed on 1st July, 2008, accordingly, these assets are classified as disposal group held for sale and are presented separately in the consolidated balance sheet as at 30th June, 2008.

The major classes of assets classified as held for sale are as follows:

	At 30th June, 2008	**At 31st December, 2007**
	HK$'000	*HK$'000*
Property, plant and equipment	35,878	38,869
Prepaid lease payments	5,503	5,535
Inventories	11,588	2,304
Assets classified as held for sale	52,969	46,708

The results of the semiconductor operation for the six months ended 30th June, 2007 and 2008, which have been included in the consolidated income statement, were as follows:

	Six months ended 30th June,	
	2008	**2007**
	HK$'000	*HK$'000*
Turnover	428,201	1,329,469
Cost of sales	(333,832)	(976,534)
Gross profit	94,369	352,935
Other income	8,536	61,680
Selling and distribution expenses	(13,833)	(35,335)
Administrative expenses	(63,176)	(124,899)
Other expenses	(62,401)	(104,896)
Finance costs	(14,587)	(33,350)
(Loss) profit before taxation	(51,092)	116,135
Taxation	(617)	(14,336)
(Loss) profit for the period	(51,709)	101,799
Attributable to:		
Equity holders of the Company	(45,635)	96,309
Minority interests	(6,074)	5,490
	(51,709)	101,799

The net cash flows of the semiconductor operation for the six months ended 30th June, 2007 and 2008, were as follows:

	Six months ended 30th June, 2008 *HK$'000*	2007 *HK$'000*
Net cash from operating activities	42,413	202,492
Net cash used in investing activities (including cash flow from disposal of CR Microelectronics)	(697,064)	(316,861)
Net cash from financing activities	25,931	113,449
Effect of foreign exchange rate changes	259	(1,326)
	(628,461)	(2,246)

On 21st June, 2007, the Group entered into an agreement with Gradison Limited, a fellow subsidiary of the Company, to dispose of the entire issued share capital of China Resources Cooling Technology Co., Ltd. ("CR Cooling"), a wholly-owned subsidiary of the Company, at a consideration of HK$1,170,000,000. CR Cooling was a holding company and was engaged principally in the compressor manufacture business, through its subsidiaries. The disposal was completed on 16th August, 2007.

The results of the compressor operation for the six months ended 30th June, 2007, which have been included in the consolidated income statement, were as follows:

	Six months ended 30th June, 2008 *HK$'000*	2007 *HK$'000*
Turnover	—	1,122,378
Cost of sales	—	(957,214)
Gross profit	—	165,164
Other income	—	2,106
Selling and distribution expenses	—	(68,383)
Administrative expenses	—	(34,367)
Other expenses	—	(6,526)
Finance costs	—	(6,069)
Profit before taxation	—	51,925
Taxation	—	(6,339)
Profit for the period	—	45,586
Attributable to:		
Equity holders of the Company	—	29,061
Minority interests	—	16,525
	—	45,586

The net cash flows of the compressor operation for the six months ended 30th June, 2007, were as follows:

	Six months ended 30th June, 2008	2007
	HK$'000	*HK$'000*
Net cash from operating activities	—	49,374
Net cash used in investing activities	—	(10,046)
Net cash used in financing activities	—	(92,991)
Effect of foreign exchange rate changes	—	6,330
	—	(47,333)

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30th June, 2008	2007
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	71,376	240,567
Amortisation of technical know-how	657	2,054
Write down of inventories to net realisable value	11,963	26,155
Impairment loss on available-for-sale investments	2,376	1,175
Impairment loss on debtors	1,652	5,827
Impairment loss on goodwill (included in other expenses)	3,036	—
Impairment loss on property, plant and equipment included in assets classified as held for sale	8,000	—
Gain on disposal of available-for-sale investments	—	(1,924)
Net gain on disposal of property, plant and equipment	(445)	(6,561)
Interest on bank deposits	(2,952)	(4,102)
Write back of allowance for inventories	(1,494)	—

8. DIVIDENDS

On 5th June, 2007, a dividend of 1.0 HK cent per share, amounting to HK$27,671,000 in total, was paid by the Company to its shareholders as the final dividend for the year ended 31st December, 2006.

The directors did not propose the payment of an interim dividend for the six months ended 30th June, 2008 (2007: an interim dividend of 1.0 HK cent per share was declared, amounting to HK$27,937,000 in total).

Pursuant to an ordinary resolution passed at a special general meeting held on 13th February, 2008, the Company distributed all of its shares in its subsidiary, CR Microelectronics, by way of a dividend in specie on the basis of 180 shares in CR Microelectronics for every 100 shares in the Company held. A total of 5,091,900,165 shares in CR Microelectronics with aggregate market value of approximately HK$3,055,140,000 were distributed to the shareholders of the Company on 5th March, 2008.

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th June, 2008 HK$'000	2007 HK$'000
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share ((Loss) profit for the period attributable to equity holders of the Company)	(17,200)	113,269
Effect of dilutive potential shares of subsidiaries on their (loss) earnings attributable to the Group's discontinued operations	—	(167)
(Loss) earnings for the purpose of diluted (loss) earnings per share	(17,200)	113,102
Number of shares:		
Weighted average number of shares for the purpose of basic (loss) earnings per share	282,649,279	276,825,064
Effect of dilutive potential shares		
Share options	—	3,477,293
Weighted average number of shares for the purpose of diluted (loss) earnings per share	282,649,279	280,302,357

For both periods, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted retrospectively for the capital reduction and share consolidation as stated in Note 14.

The computation of diluted (loss) earnings per share for the six months ended 30th June, 2008 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period.

From continuing operations

The calculation of the basic earnings (loss) per share from continuing operations is based on the following data:

	Six months ended 30th June, 2008 HK$'000	2007 HK$'000
(Loss) earnings:		
(Loss) profit for the period attributable to equity holders of the Company	(17,200)	113,269
Less: Loss (profit) for the period from discontinued operations attributable to equity holders of the Company	45,635	(125,370)
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	28,435	(12,101)

The denominators used are the same as those detailed above for basic earnings (loss) per share from continuing operations.

No diluted loss per share in relation to continuing operations has been presented for the six months ended 30th June, 2007 because the potential ordinary shares in issue during the period would result in a decrease in loss per share.

From discontinued operations

	Six months ended 30th June,	
	2008	**2007**
	HK$'000	*HK$'000*
(Loss) profit for the period from discontinued operations attributable to equity holders of the Company	(45,635)	125,370
Basic (loss) earnings per share	(0.16)	0.45
Diluted earnings per share	N/A	0.45

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share from discontinued operations.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2008, the Group spent HK$8,277,000 on machinery and equipment and HK$202,382,000 on construction in progress. Property, plant and equipment of carrying value of HK$4,087,244,000 was disposed of upon distribution of CR Microelectronics shares as stated in Note 15.

During the six months ended 30 June 2008, the Group rented out certain of its leasehold properties to outsiders for rental income. These properties were reclassified from property, plant and equipment to investment properties. The Group's investment properties are measured using the cost model.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers, which may be extended to 180 days for selected customers depending on their trade volume and settlement terms. The aged analysis of trade debtors, including notes receivable, net of allowance for doubtful debts, is as follows:

	At 30th June, 2008	**At 31st December, 2007**
	HK$'000	*HK$'000*
0-90 days	47,485	770,084
91-180 days	6,282	187,450
Over 180 days	1,289	14,463
	55,056	971,997

Included in trade debtors as at 30th June, 2008 are trade receivables from fellow subsidiaries of HK$2,297,000 (as at 31st December, 2007: HK$3,589,000), which are due within 90 days (as at 31st December, 2007: within 90 days).

12. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors which are included in creditors and accrued charges is as follows:

	At 30th June, 2008	At 31st December, 2007
	HK$'000	*HK$'000*
0-90 days	21,480	752,099
91-180 days	2,851	241,944
Over 180 days	263	19,746
	24,594	1,013,789

The average credit period on purchases of goods ranges from 7 to 180 days. Included in trade creditors as at 30th June, 2008 are trade payables to fellow subsidiaries of HK$7,261,000 (as at 31st December, 2007: HK$5,557,000), which are due within 90 days (as at 31st December, 2007: within 90 days).

13. BANK BORROWINGS

	At 30th June, 2008	At 31st December, 2007
	HK$'000	*HK$'000*
Bank loans		
Secured	—	76,425
Unsecured	—	1,781,083
	—	1,857,508
The bank loans are repayable as follows:		
On demand or within one year	—	682,762
More than two years, but not exceeding five years	—	1,174,746
	—	1,857,508
Less: Amount due within one year shown under current liabilities	—	(682,762)
Amount due after one year shown as non-current liabilities	—	1,174,746

14. SHARE CAPITAL

	Number of shares		Nominal value of shares	
	At 30th June, 2008	At 31st December, 2007	At 30th June, 2008	At 31st December, 2007
			HK$'000	*HK$'000*
Shares of HK$0.10 each				
Authorised:				
At beginning of the period/year	6,000,000,000	6,000,000,000	600,000	600,000
Capital reduction	—	—	(540,000)	—
Share consolidation	(5,400,000,000)	—	—	—
Increase in authorised share capital	9,400,000,000	—	940,000	—
At end of the period/year	10,000,000,000	6,000,000,000	1,000,000	600,000
Issued and fully paid:				
At beginning of the period/year	2,812,155,425	2,765,799,425	281,215	276,580
Shares repurchased and cancelled	—	—	—	—
Shares issued upon exercise of share options	16,678,000	46,356,000	1,668	4,635
Capital reduction	—	—	(254,595)	—
Share consolidation	(2,545,950,083)	—	—	—
At end of the period/year	282,883,342	2,812,155,425	28,288	281,215

Pursuant to the ordinary resolutions and special resolutions passed at special general meetings of the Company held on 13th February, 2008 and 29th February, 2008, the capital of the Company which involves the nominal value of each of the existing shares in issue being reduced from HK$0.10 to HK$0.01 by the reduction of HK$0.09 paid up capital on each existing share. All amounts standing to the credit of the share premium account of the Company will be reduced to nil. The credit arising from the above reduction in capital and share premium will be credited to the contributed surplus account of the Company where it may be utilised by the directors in accordance with the bye-laws and all applicable laws, including for distribution of dividends. All issued shares of the Company after the capital reduction and share premium reduction will rank pari passu in all respects.

Following the distribution in specie with details set out in Note 8, every ten issued and unissued shares of HK$0.01 each were consolidated into one share of HK$0.10 each. And the authorised share capital of the Company was increased from HK$60,000,000 to HK$1,000,000,000 by the creation of an additional 9,400,000,000 shares of HK$0.10 each, ranking pari passu in all respects with the existing shares.

15. DISPOSAL OF SUBSIDIARIES

As mentioned in Note 6, the Company distributed all its shares in CR Microelectronics by way of a dividend in specie. After the distribution of dividend in specie, the entire equity interests held in CR Microelectronics by the Company were disposed of.

	HK$'000
Net assets of CR Microelectronics disposed of:	
Property, plant and equipment	4,087,244
Prepaid lease payments	163,564
Available-for-sale investments	570
Goodwill	21,024
Technical know-how	35,021
Deferred tax assets	11,806
Deposits for acquisition of property, plant and equipment	20,280
Inventories	872,317
Debtors, deposits and prepayments	842,176
Taxation recoverable	4,937
Pledged bank deposits	3,955
Bank balances and cash	508,688
Creditors and accrued charges	(1,204,710)
Borrowings	(1,898,987)
Provisions	(41,971)
Long-term payables	(64,979)
Government grants	(119,960)
	3,240,975
Minority interests	(509,512)
Retained profits distributed by way of dividend in specie	2,731,463
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(508,688)

The disposal of CR Microelectronics by way of a dividend in specie is considered as an equity transaction and hence no gain or loss was recognised. The cumulative amounts of translation reserve, other reserves and share option reserve amounting to HK$356,388,000, HK$109,015,000 and HK$11,969,000, respectively, are reclassified to retained earnings.

The impact of disposal of CR Microelectronics on the Group's results and cash flows during the six months ended 30th June, 2007 and 2008 is disclosed in Note 6.

16. CONTINGENT LIABILITIES

One of the Group's subsidiaries issued guarantees of HK$3,750,000 as at 31st December, 2007 to a bank in respect of the mortgage loans borrowed by the employees of the subsidiary. The management anticipated that no material liabilities to the Group would arise from the guarantees. No such guarantee existed as at 30th June, 2008 as the subsidiary was disposed of during the period.

17. CAPITAL COMMITMENTS

	At 30th June, 2008	At 31st December, 2007
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment		
Authorised but not contracted for	—	2,711,486
Contracted but not provided for	—	890,623

18. RELATED PARTY TRANSACTIONS

Transactions with related parties

In addition to the related parties transactions set out in other notes to the condensed consolidated financial statements, during the period, the Group entered into the following significant transactions with related parties:

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Sales to fellow subsidiaries	7,513	14,091
Sales to subsidiaries of minority shareholders of subsidiaries	—	103,729
Service income from fellow subsidiaries	1,691	1,521
Purchases from fellow subsidiaries	57,912	35,027
Rental expenses paid to a fellow subsidiary	481	1,123
Royalties paid to minority shareholders of subsidiaries, net	—	33,588
License fees paid to minority shareholders of subsidiaries, net	—	8,957
Commission paid to a minority shareholder of a subsidiary	1,023	—
Management fee paid to a former intermediate holding company	—	1,200
Interest income from former immediate holding company subsidiary	—	904

The amounts due from/to minority shareholders as included in the condensed consolidated balance sheet are unsecured, interest-free and repayable on demand.

Compensation of key management personnel of the Group

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	2,548	3,314
Post-employment benefits	134	134
Share-based payment	—	—
	2,682	3,448

Transactions/balances with other state-controlled entities

The Group itself is part of a larger group of companies under CRNC which is controlled by the government of the PRC. Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the condensed consolidated financial statements, the Group also conducts businesses with entities directly or indirectly owned or controlled by the PRC government in the ordinary course of business. The directors consider those entities other than the CRNC group are independent third parties as far as the Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the condensed consolidated financial statements.

19. POST BALANCE SHEET EVENTS

On 21st August, 2008, the Company entered into a share purchase agreement with CRH to conditionally agree to acquire the entire issued share capital of China Resources Gas Limited, a wholly-owned subsidiary of CRH, for a consideration of HK$3,814.8 million (the "Acquisition"). The Acquisition is subject to the approval of the independent shareholders of the Company at a special general meeting to be held on or around 6 October, 2008.

In order to finance the Acquisition, the Company proposed to raise an amount of approximately HK$3,869.8 million before expenses by way of the rights issue of no less than 1,131,533,368 rights shares at a subscription price of HK$3.42 per rights share on the basis of four rights shares for every existing share held on the record date. The rights issue is fully underwritten by Splendid Time Investments Inc., a wholly-owned subsidiary of CRH, and is conditional upon the fulfillment of the conditions set out in the underwriting agreement and the approval by the Company's independent shareholders.

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2007

The following is a summary of the audited financial statements of the Group for the year ended 31 December 2007 as extracted from the published 2007 annual report of CR Logic.

Consolidated Income Statement
For the year ended 31st December, 2007

	NOTES	**2007** *HK$'000*	**2006** *HK$'000*
Turnover	7		
Continuing operation		3,016,902	2,086,396
Discontinued operation	11	1,247,230	1,364,263
		4,264,132	3,450,659
Cost of sales		(3,267,584)	(2,602,462)
Gross profit		996,548	848,197
Other income	8	111,239	104,199
Selling and distribution expenses		(156,336)	(129,972)
Administrative expenses		(359,175)	(301,962)
Other expenses		(233,239)	(161,255)
Profit from operations	7	359,037	359,207
Finance costs	9	(104,367)	(89,601)
Share of results of an associate		—	1,103
Gain on disposal of discontinued operation	11	61,864	—
Loss on closure of a production plant	13	(69,868)	—
Gain on deemed disposal of an associate		—	1,590
Discount on acquisition of subsidiaries	34	—	41,296
Profit before taxation			
Continuing operation		130,912	208,660
Discontinued operation	11	115,754	104,935
		246,666	313,595
Taxation	10		
Continuing operation		(41,102)	(21,552)
Discontinued operation	11	(6,696)	(11,647)
		(47,798)	(33,199)
Profit for the year	13		
Continuing operation		89,810	187,108
Discontinued operation	11	109,058	93,288
		198,868	280,396
Attributable to:			
Equity holders of the Company			
Continuing operation		60,411	171,992
Discontinued operation	11	91,950	60,425
		152,361	232,417
Minority interests		46,507	47,979
		198,868	280,396

	NOTES	2007 HK Cents	2006 HK Cents
Dividend per share	15		
Interim dividend paid		1.00	1.00
Final dividend proposed		—	1.00
		1.00	2.00
Earnings per share	16		
From continuing and discontinued operations			
Basic		5.48	8.57
Diluted		5.37	8.49
From continuing operation			
Basic		2.17	6.34
Diluted		2.11	6.28

Consolidated Balance Sheet

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	17	3,949,268	4,217,639
Prepaid lease payments	18	160,266	172,559
Available-for-sale investments	20	9,904	10,105
Goodwill	21	24,060	152,777
Technical know-how	22	35,678	53,663
Deferred tax assets	30	10,886	16,416
Deposit for acquisition of property, plant and equipment		17,011	63,205
		4,207,073	4,686,364
Current assets			
Inventories	23	813,870	1,068,568
Debtors, deposits and prepayments	24	1,029,983	1,622,459
Prepaid lease payments	18	3,928	4,625
Amounts due from minority shareholders		—	2,164
Tax recoverable		4,172	10,057
Pledged bank deposits	25	6,030	7,642
Bank balances and cash	25	867,908	521,250
		2,725,891	3,236,765
Assets classified as held for sale	12	46,708	—
		2,772,599	3,236,765

Consolidated Balance Sheet
At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Current liabilities			
Creditors and accrued charges	26	1,313,849	1,595,098
Government grants — current portion	40	13,221	10,520
Amounts due to minority shareholders		—	85,213
Bank borrowings	27	682,762	1,706,617
Provisions	28	42,183	77,111
Taxation		10,327	8,133
		2,062,342	3,482,692
Net current assets (liabilities)		710,257	(245,927)
Total assets less current liabilities		4,917,330	4,440,437
Capital and reserves			
Share capital	31	281,215	276,580
Share premium and reserves		2,770,716	2,478,511
Equity attributable to equity holders of the Company		3,051,931	2,755,091
Share option reserve of a listed subsidiary		10,840	5,805
Minority interests		515,041	1,048,727
Total equity		3,577,812	3,809,623
Non-current liabilities			
Bank borrowings	27	1,174,746	522,306
Long-term payables	29	66,026	66,025
Government grants	40	98,746	42,483
		1,339,518	630,814
		4,917,330	4,440,437

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Translation reserve	Share option reserve	Other reserves	Retained profits	Total	Share option reserve of a listed subsidiary	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Note b)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	266,491	920,947	59,527	12,097	74,664	1,062,943	2,396,669	—	627,119	3,023,788
Exchange differences recognised directly in equity (Note a)	—	—	129,520	—	—	—	129,520	—	30,719	160,239
Profit for the year	—	—	—	—	—	232,417	232,417	—	47,979	280,396
Total recognised income for the year	—	—	129,520	—	—	232,417	361,937	—	78,698	440,635
Shares repurchased and cancelled	(307)	(1,817)	—	—	—	—	(2,124)	—	—	(2,124)
Shares issued at premium upon exercise of share options	1,033	5,188	—	—	—	—	6,221	—	—	6,221
Acquisition of subsidiaries (Note 34)	9,363	63,669	—	—	—	—	73,032	—	337,689	410,721
Capital contribution by minority interests	—	—	—	—	—	—	—	—	77,786	77,786
Recognition of equity-settled share-based payments	—	—	—	429	—	—	429	5,805	2,167	8,401
Transfers between categories	—	—	—	—	45,851	(45,851)	—	—	—	—
Dividends paid (Note 15)	—	—	—	—	—	(81,073)	(81,073)	—	—	(81,073)
Dividends paid to minority interests	—	—	—	—	—	—	—	—	(74,732)	(74,732)
At 31st December, 2006	276,580	987,987	189,047	12,526	120,515	1,168,436	2,755,091	5,805	1,048,727	3,809,623
Exchange differences recognised directly in equity (Note a)	—	—	260,147	—	—	—	260,147	—	57,523	317,670
Profit for the year	—	—	—	—	—	152,361	152,361	—	46,507	198,868
Disposal of subsidiaries (Note 11)	—	—	(92,950)	—	(53,100)	53,100	(92,950)	—	(609,778)	(702,728)
Total recognised income for the year	—	—	167,197	—	(53,100)	205,461	319,558	—	(505,748)	(186,190)
Shares issued at premium upon exercise of share options	4,635	27,345	—	—	—	—	31,980	—	—	31,980
Recognition of equity-settled share-based payments	—	—	—	910	—	—	910	5,035	1,918	7,863
Transfers between categories	—	—	—	—	41,600	(41,600)	—	—	—	—
Dividends paid (Note 15)	—	—	—	—	—	(55,608)	(55,608)	—	—	(55,608)
Dividends paid to minority interests	—	—	—	—	—	—	—	—	(29,856)	(29,856)
At 31st December, 2007	281,215	1,015,332	356,244	13,436	109,015	1,276,689	3,051,931	10,840	515,041	3,577,812

Note:

(a) The exchange differences arose from translation of the assets and liabilities of foreign operations into the presentation currency.

(b) Other reserves comprise general reserve, statutory surplus reserve, enterprise expansion fund, statutory public welfare fund and discretionary surplus reserve of subsidiaries established in Mainland China.

General reserve was appropriated each year on the basis of 5% to 10% of the profit after taxation of certain subsidiaries as determined by their board of directors in accordance with the Articles of Association of the subsidiaries. This reserve should only be used for making up losses, capitalisation into capital and expansion of production and operation.

Consolidated Cash Flow Statement
For the year ended 31st December, 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	246,666	313,595
Adjustments for:		
Finance costs	104,367	89,601
Interest income	(10,717)	(6,072)
Government grants recognised	(10,520)	(6,339)
Share of results of an associate	—	(1,103)
Gain on deemed disposal of an associate	—	(1,590)
Gain on additional investment in an associate	—	(3,641)
Gain on disposal of discontinued operation	(61,864)	—
Discount on acquisition of subsidiaries	—	(41,296)
Depreciation of property, plant and equipment	437,444	326,170
Depreciation of investment properties	—	1,367
Impairment loss on property, plant and equipment recognised	13,654	9,271
Amortisation of technical know-how	5,915	4,886
Release from prepaid lease payments	4,522	4,615
Write down of inventories to net realisable value	83,677	37,321
Impairment loss on debtors recognised	5,660	3,308
Impairment loss on other receivables recognised	10,990	—
Share-based payment expense	7,863	8,401
Gain on disposal of property, plant and equipment	(8,311)	(6,337)
Gain on disposal of available-for-sale investments	(3,586)	—
Write back of provisions	(25,858)	—
Write back of other loans	—	(14,735)
Operating cash flows before movements in working capital	799,902	717,422
Increase in inventories	(183,937)	(215,492)
Increase in debtors, deposits and prepayments	(711,255)	(305,900)
Decrease in amount due from an associate	—	10,236
(Increase) decrease in amounts due from minority shareholders	(7,330)	3,024
Increase in creditors and accrued charges	581,975	431,769
Decrease in long-term payables	(9,087)	(4,109)
Decrease in amount due to an associate	—	(38,558)
Increase in amounts due to minority shareholders	25,975	23,666
Utilisation of provisions	(10,066)	(17,580)
Cash generated from operations	486,177	604,478
Profits tax paid	(39,948)	(40,159)
NET CASH FROM OPERATING ACTIVITIES	446,229	564,319

	NOTES	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Payments and deposits for acquisition of property, plant and equipment		(938,885)	(703,116)
Acquisition of subsidiaries	34	—	(224,291)
Additional investment in an associate		—	(23,178)
Purchases of technical know-how		(595)	(2,200)
Purchases of prepaid lease payments		(91)	(2,818)
Disposal of subsidiaries	11	1,004,155	—
Proceeds on disposal of property, plant and equipment		22,617	16,546
Proceeds on disposal of available-for-sale investments		3,842	—
Government grants received		69,484	38,748
Interest received		10,717	6,072
Decrease in pledged bank deposits		1,612	14,325
NET CASH FROM (USED IN) INVESTING ACTIVITIES		172,856	(879,912)
FINANCING ACTIVITIES			
Repayments of bank borrowings		(3,245,069)	(1,511,617)
Dividends paid		(55,608)	(81,073)
Dividends paid to minority shareholders of subsidiaries		(29,856)	(74,732)
Interest paid on bank borrowings		(100,181)	(85,492)
Repurchase of shares		—	(2,124)
New bank loans raised		3,091,956	2,004,814
Capital contribution from minority shareholders of a subsidiary		—	77,786
Exercise of share options		31,980	6,221
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(306,778)	333,783
NET INCREASE IN CASH AND CASH EQUIVALENTS		312,307	18,190
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		521,250	470,009
Effect of foreign exchange rate changes		34,351	33,051
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, representing bank balances and cash		867,908	521,250

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

1. GENERAL

The Company is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's parent company is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong and its ultimate holding company is China Resources National Corp. ("CRNC"), a company established in the People's Republic of China.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 41.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st January, 2007. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Serivce Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1st January, 2009

[2] Effective for annual periods beginning on or after 1st March, 2007

[3] Effective for annual periods beginning on or after 1st January, 2008

[4] Effective for annual periods beginning on or after 1st July, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. 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 year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements 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 consolidated 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 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 has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses 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 recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised 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 recognised. 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 recognised immediately in profit or loss.

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 recognised.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1st January, 2005 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 capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1st January, 2005

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

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is recognised directly in the consolidated income statement and is not reversed in subsequent periods.

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

Assets held for sale

Non-current 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.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets'(disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

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.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual values, ranging from zero to 10%, using the straight-line method, as follows:

Leasehold properties	25 to 40 years or over the relevant lease terms, if shorter
Furniture and fixtures	5 to 13 years
Machinery and equipment	5 to 13 years
Motor vehicles	3⅓ to 6 years

Construction in progress represents property, plant and equipment in the course of construction for production or for own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised 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 proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments are amortised on a straight-line basis over the shorter of the relevant lease terms and the operation period of the entity which incurred such payment.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the entity which is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for the post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment 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.

Technical know-how

Technical know-how comprises the acquired rights to use certain technologies for the manufacture of air-conditioner compressors and wafer products.

Costs incurred in the acquisition of technical know-how are capitalised and carried at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over their estimated useful lives of ten to twelve years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement when the asset is derecognised.

Research, design and development expenditure

Research, design and development expenditure is recognised as an expense in the period in which it is incurred, except for development costs incurred on a clearly-defined project, which are anticipated to be recovered through future commercial activity, such costs are recognised as intangible assets.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation 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 capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as liability and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as 'other income'.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit 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 period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. The costs of finished goods and work in progress comprise raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet 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 recognised immediately in profit or loss.

Financial assets

Financial assets are classified into one of the four categories, namely financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. All regular way purchases or sales of financial assets are recognised and derecognised 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 Group's financial assets comprise of loans and receivables and available-for-sale financial assets, the accounting policies adopted in respect of which are set out below.

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 each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, amounts due from minority shareholders, pledged bank deposits and bank deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and 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. Interest income is recognised on an effective interest basis.

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. The Group designated listed equity as well as unlisted equity security as available-for-sale financial assets. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value, except 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, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade debtors, 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 amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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. When a trade debtor is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

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

Impairment losses on available-for-sale equity investments are measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset and will not be reversed in profit or loss in subsequent period.

Financial liabilities

Financial liabilities, including creditors, borrowings, amounts due to minority shareholders, and long-term payables, are measured at amortised cost, using the effective interest method subsequent to initial recognition.

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis.

Equity instruments

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

Considerations paid to repurchase the Company's own equity instruments are deducted from equity. No gain or loss is recognised in the consolidated income statement.

Derecognition

Financial assets are derecognised 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 recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Provisions

Provisions are recognised 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 directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group is the lessor, rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the relevant lease term.

Where the Group is the lessee, rental expense under operating leases is charged to the consolidated income statement on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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 at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition prior to 1st January, 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of acquisition.

Equity-settled share-based payment transactions

Share options and CSMC equity incentive scheme granted to employees after 7th November, 2002 and vested on or after 1st January, 2005

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options and CSMC equity incentive scheme granted to employees on or before 7th November, 2002, or granted after 7th November, 2002 and vested before 1st January, 2005

The financial impact of options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the 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 lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Impairment losses of tangible and intangible assets other than goodwill

At each balance sheet date, 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 recognised 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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not be equal to the actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment. The estimated useful lives are based on the expected lifespan of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment due to the change of commercial and technological environment are different from their estimated useful lives, such difference will impact the deprecation charges and the amounts of assets written down for future periods.

The carrying amount of property, plant and equipment at 31st December, 2007 is HK$3,949,268,000 (2006: HK$4,217,639,000).

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted.

Impairment loss on property, plant and equipment of HK$13,654,000 (2006: HK$9,271,000) was charged in consolidated income statement in the current year.

Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade debtors whenever there is any objective evidence that the balances may not be collectible. The Group makes judgment in assessing the collectability based on observable data including creditworthiness and payment history of the customers (for details please refer to Note 24). When objective evidence for allowance exists, the amount of allowance is the difference between the carrying amounts of the debts and the present value of estimated future cash flows, discounted at the effective interest rate. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade debtors at 31st December, 2007 is HK$911,113,000 (net of allowance for doubtful receivables of HK$23,135,000) (2006: HK$1,495,039,000 (net of allowance for doubtful receivables of HK$18,556,000)).

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories.

The carrying amount of inventories at 31st December, 2007 is HK$813,870,000 (net of allowance for inventories of HK$139,757,000) (2006: HK$1,068,568,000 (net of allowance for inventories of HK$102,459,000)).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to maintain a balance between continuity of cash flows from operating activities and the flexibility through the use of bank borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure that sufficient working capital and adequate committed lines of funding are maintained to meet its liquidity requirements.

The capital structure of the Group consists of debts, which include borrowings, bank balances and equity attributable to equity holders of the Company, comprising issued capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the associated risk, and take appropriate actions to adjust the Group's capital structure through the payment of dividends, new share issues as well as the issue of new debts or the extinguishment of existing debts.

6. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include debtors, available-for-sale investments, pledged bank deposits, bank balances and cash, creditors, borrowings and long-term payables. 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 Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risk arising from the Group's financial instruments are foreign currency risk, cash flow interest rate risk, liquidity risk and credit risk. The directors closely review and monitor the Group's exposure to each of these risks, which are discussed below.

Categories of financial instruments

	2007	**2006**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables	1,785,051	2,026,095
Available-for-sale investments	9,904	10,105
Financial liabilities		
Amortised cost	2,923,554	3,738,137

Foreign currency risk management

The Group conducts certain sales and purchases transactions in foreign currencies, hence is exposed to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk. Management will consider hedging foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly debtors, creditors, bank balances and bank borrowings, at the balance sheet dates are as follows:

	2007	2006
	HK$'000	*HK$'000*
Assets		
United States dollar	150,862	146,308
Hong Kong dollar	37,451	23,137
Japanese Yen	7	5,119
	188,320	174,564
Liabilities		
United States dollar	400,555	276,011
Hong Kong dollar	5	—
Japanese Yen	374	13,784
	400,934	289,795

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi, the functional currency of the subsidiaries operating in the PRC, against relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% change in foreign currency rates. A positive (negative) number indicates an increase (decrease) in profit for the year when Renminbi strengthens against the relevant foreign currencies. For a 5% weakening of Renminbi against the relevant currency, there would be an equal but opposite impact on the profit for the year.

	2007	2006
	HK$'000	*HK$'000*
United States dollar		
Profit for the year	10,474	8,006
Hong Kong dollar		
Profit for the year	(1,471)	(922)
Japanese Yen		
Profit for the year	15	340

Cash flow interest rate risk management

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk relates primarily to the Group's floating rate borrowings. It is the Group's policy to maintain its borrowings at floating interest rate so as to minimise the fair value interest rate risk.

Interest rate sensitivity analysis

At the balance sheet dates, assuming the bank borrowings outstanding at the balance sheet dates had been outstanding for the whole year, if interest rates had increased by 200 basis points and all other variables were held constant, the Group's profit would decrease by approximately HK$28,241,000 and HK$36,558,000 for the year ended 31st December, 2007 and 31st December, 2006 respectively. If interest rates had decreased by 200 basis points, there would be an equal but opposite impact on the profit for the year.

The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent cash flow interest rate risk as the year end exposure does not reflect the exposure for the whole year as a result of the repayment of a substantial amount of the Group's borrowings during the year.

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Before accepting any new customer, the Group carries out searches on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

In addition, the Group reviews the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group considers that the credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are financial institutions with high credit standing.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. No single debtor outstanding at the balance sheet dates exceeds 5% of the total balance of trade debtors.

Liquidity risk management

The Group's liquidity position is monitored closely by the management of the Group. The Group relies on bank borrowings as a significant source of liquidity. Details of the Groups' bank borrowings are set out in Note 27. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	0-60 days	61-90 days	91-180 days	181-365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2006									
Non-interest bearing									
Trade creditors and amounts due to minority shareholders	814,616	207,704	411,069	4,791	—	—	—	1,438,180	1,438,180
Long-term payables	—	—	3,765	3,765	9,288	9,288	68,622	94,728	71,034
Variable interest rate instruments									
Bank borrowings	59,130	325,173	223,913	1,174,815	116,149	18,728	465,456	2,383,364	2,228,923
	873,746	532,877	638,747	1,183,371	125,437	28,016	534,078	3,916,272	3.738.137
As at 31st December, 2007									
Non-interest bearing									
Trade creditors	585,494	147,295	241,814	19,626	—	—	—	994,229	994,229
Long-term payables	—	—	4,701	4,701	9,959	9,959	63,538	92,858	71,817
Variable interest rate instruments									
Bank borrowings	228,532	155,663	202,733	166,526	57,538	387,697	874,782	2,073,471	1,857,508
	814,026	302,958	449,248	190,853	67,497	397,656	938,320	3,160,558	2,923,554

Fair value

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is organised into two operating divisions — semiconductor and compressor. These divisions are the bases on which the Group reports its primary segment information.

The activities of these divisions are as follows:

Semiconductor — design, fabrication and packaging of integrated circuits and discrete devices
Compressor — manufacture of compressor for air- conditioners

The Compressor operation was discontinued on 16th August, 2007 (see Note 11).

Results for the year ended 31st December, 2007

	Continuing Operation Semiconductor	**Discontinued Operation Compressor**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External sales	3,016,902	1,247,230	4,264,132
Result			
Segment results	324,854	59,290	384,144
Unallocated expenses			(35,824)
Unallocated income			10,717
Profit from operations			359,037
Finance costs			(104,367)
Gain on disposal of discontinued operation	—	61,864	61,864
Loss on closure of a production plant	(69,868)	—	(69,868)
Profit before taxation			246,666
Taxation			(47,798)
Profit for the year			198,868

At 31st December, 2007
Consolidated assets and liabilities

	Continuing Operation Semiconductor	**Discontinuted Operation Compressor**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	6,408,422	—	6,408,422
Unallocated corporate assets			571,250
Consolidated total assets			6,979,672
LIABILITIES			
Segment liabilities	1,516,620	—	1,516,620
Unallocated corporate liabilities			1,885,240
Consolidated total liabilities			3,401,860

For the year ended 31st December, 2007
Other information

	Continuing Operation		Discontinued Operation	
	Semiconductor	**Others**	**Compressor**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	1,077,209	506	12,432	1,090,147
Depreciation and amortisation	363,502	179	79,678	443,359
Write down of inventories	70,955	—	12,722	83,677
Impairment loss on debtors recognised	5,660	—	—	5,660
Impairment loss on property, plant and equipment recognized	13,654	—	—	13,654

Results for the year ended 31st December, 2006

	Continuing Operation	Discontinued Operation	
	Semiconductor	**Compressor**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External sales	2,086,396	1,364,263	3,450,659
Result			
Segment results	249,703	113,909	363,612
Unallocated expenses			(25,212)
Unallocated income			20,807
Profit from operations			359,207
Finance costs			(89,601)
Share of results of an associate	1,103	—	1,103
Gain on deemed disposal of an associate	1,590	—	1,590
Discount on acquisition of subsidiaries	41,296	—	41,296
Profit before taxation			313,595
Taxation			(33,199)
Profit for the year			280,396

At 31st December, 2006
Consolidated assets and liabilities

	Continuing Operation Semiconductor	Discontinuted Operation Compressor	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	5,246,602	2,638,219	7,884,821
Unallocated corporate assets			38,308
Consolidated total assets			7,923,129
LIABILITIES			
Segment liabilities	1,242,073	620,217	1,862,290
Unallocated corporate liabilities			2,251,216
Consolidated total liabilities			4,113,506

For the year ended 31st December, 2006
Other information

	Continuing Operation		Discontinued Operation	
	Semiconductor	Others	Compressor	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	609,453	73	68,180	677,706
Depreciation and amortisation	205,525	268	126,630	332,423
Write down of inventories	32,906	—	4,415	37,321
Impairment loss on debtors recognised	3,308	—	—	3,308
Impairment loss on property, plant and equipment recognized	9,271	—	—	9,271

Geographical segments

The activities of the Semiconductor division are carried out in Hong Kong and other regions in the People's Republic of China (the "Mainland China"), while those of the Compressor division are carried out in the Mainland China.

The following table provides an analysis of the Group's sales from continuing operation by geographical market:

	2007	2006
	HK$'000	*HK$'000*
Mainland China	2,394,334	1,688,298
Hong Kong	208,550	166,163
United States of America	105,302	50,698
Europe	27,446	22,871
Others	281,270	158,366
	3,016,902	2,086,396

The turnover from the Group's discontinued Compressor operation in respect of the year amounted to HK$1,247,230,000 (2006: HK$1,364,263,000) was derived principally from the Mainland China.

The following is an analysis of the carrying amounts of segment assets and additions to property, plant and equipment and technical know-how, analysed by the geographical areas in which the assets are located:

	Carrying amounts of segment assets		Additions to property, plant and equipment and technical know-how	
	At 31st December		For the year ended 31st December	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	6,269,638	7,677,257	1,083,925	662,537
Hong Kong	138,784	207,564	6,222	15,169
	6,408,422	7,884,821	1,090,147	677,706

8. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Included in other income are:		
Interest on bank deposits	10,717	6,072
Government grants (Note 40)	10,520	6,339
Rental income from investment properties	—	5,609
Gain on disposal of property, plant and equipment	8,311	6,337
Gain on disposal of available-for-sale investments	3,586	—
Tax refund on re-investment of profit of PRC subsidiaries	9,566	19,932
Write back of provisions (Note 28)	25,858	—
Write back of other loans	—	14,735

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	100,181	85,492
Long-term payables	4,186	4,109
	104,367	89,601

10. TAXATION

	2007	2006
	HK$'000	*HK$'000*
The tax charge (credit) comprises:		
Current tax		
Mainland China	55,881	35,753
Hong Kong	712	—
Overprovision in prior year	(7,567)	—
	49,026	35,753
Deferred tax (Note 30)	(1,228)	(2,554)
	47,798	33,199

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the prior year as the Group did not generate any profits subject to Hong Kong Profits Tax for that year.

Profits tax arising in the Mainland China is calculated based on the applicable tax rates on assessable profits.

Certain subsidiaries operating in the Mainland China are exempted from income tax applicable in the Mainland China for two years starting from the first profit making year after utilisation of the tax losses brought forward and were granted a 50% relief for the following three years. Certain subsidiaries operating in the Mainland China which are regarded as advance technology enterprises have also been granted tax concessions by the local tax bureau and are entitled to PRC Enterprise Income Tax at concessionary rate of 15%. With effect from 1st January, 2008, the subsidiaries qualified as High and New Technology Enterprise (under the new PRC Enterprise Income Tax Law) would be subject to a tax rate of 15%.

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

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	246,666	313,595
Tax at the applicable tax rate of 15% (2006: 15%) (Note)	37,000	47,039
Tax effect of expenses not deductible for tax purpose	17,987	15,188
Tax effect of income not taxable for tax purpose	(18,298)	(12,999)
Overprovision in respect of prior year	(7,567)	—
Tax effect of tax losses not recognised	45,993	20,206
Tax effect of deferred tax asset not recognised	3,413	—
Utilisation of tax losses previously not recognised	(1,066)	(1,589)
Utilisation of deductible temporary differences previously not recognised	—	(2,037)
Effect of tax exemptions granted to subsidiaries operating in the Mainland China	(7,591)	(2,586)
Income tax on concessionary rates	(16,315)	(35,663)
Effect of different tax rates of subsidiaries operating in the Mainland China	(6,439)	661
Tax effect of share of results of an associate	—	(165)
Others	681	5,144
Tax charge for the year	47,798	33,199

Note: The rate represents the tax rate applicable to the subsidiaries established in the Mainland China which are regarded as advanced technology enterprises by the local tax bureau.

11. DISCONTINUED OPERATION

On 21st June, 2007, the Company and CRT (BVI) Limited, a wholly owned subsidiary of the Company, entered into an agreement with Gradison Limited, a wholly owned subsidiary of CRH, for the sale of the entire issued share capital of China Resources Cooling Technology Co. Ltd., the Company's subsidiary which, through its subsidiaries, is engaged principally in the compressor manufacture business, for a consideration of HK$1,170,000,000. The disposal was completed on 16th August, 2007.

The results of the compressor operation for the period from 1st January, 2007 to 16th August, 2007, which have been included in the consolidated income statement, are as follows:

	Period from 1.1.2007 to 16.8.2007	Year ended 31.12.2006
	HK$'000	*HK$'000*
Turnover	1,247,230	1,364,263
Cost of sales	(1,058,348)	(1,116,936)
Gross profit	188,882	247,327
Other income	2,190	11,085
Selling and distribution expenses	(77,845)	(71,106)
Administrative expenses	(38,572)	(64,404)
Other expenses	(13,684)	(7,282)
Finance costs	(7,081)	(10,685)
Profit from operations	53,890	104,935
Gain on disposal of compressor operation	61,864	—
Profit before taxation	115,754	104,935
Taxation	(6,696)	(11,647)
Profit for the year	109,058	93,288
Attributable to:		
Equity holders of the Company	91,950	60,425
Minority interests	17,108	32,863
	109,058	93,288

The net assets of the compressor operation disposed of are as follows:

	HK$'000
Property, plant and equipment	1,110,308
Prepaid lease payments	13,458
Technical know-how	15,815
Deferred tax assets	7,179
Inventories	401,721
Debtors, deposits and prepayments	1,349,263
Amounts due from minority shareholders	9,494
Bank balances and cash	165,845
Creditors and accrued charges	(1,043,388)
Amounts due to minority shareholders	(111,188)
Bank borrowings	(236,049)
Taxation	(311)
	1,682,147

The effect of the disposal is as follows:

	HK$'000
Net assets disposed of	1,682,147
Minority interests	(609,778)
Goodwill	128,717
Translation reserve realised	(92,950)
	1,108,136
Gain on disposal	61,864
Consideration satisfied by cash	1,170,000
Net cash inflow arising on disposal:	
Cash consideration	1,170,000
Bank balances and cash disposed of	(165,845)
	1,004,155

The net cash flows of the compressor operation for the period from 1st January, 2007 to 16th August, 2007, are as follows:

	Period from 1.1.2007 to 16.8.2007	**Year ended 31.12.2006**
	HK$'000	*HK$'000*
Net cash from operating activities	46,668	237,678
Net cash used in investing activities	(10,747)	(63,475)
Net cash used in financing activities	(94,002)	(151,747)
Effect of foreign exchange rate changes	21,751	21,873
Net (decrease) increase in cash and cash equivalents	(36,330)	44,329

12. ASSETS CLASSIFIED AS HELD FOR SALE

In connection with the group reorganization scheme as detailed in Note 38, the semiconductor operations of China Resources Semiconductor Company Limited, a wholly-owned indirect subsidiary of the Company, will be sold or closed down. The assets attributable to the production plant, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the balance sheet (see below).

The major classes of assets classified as held for sale at the balance sheet date are as follows:

	HK$'000
Property, plant and equipment	38,869
Prepaid lease payments	5,535
Inventories	2,304
Assets classified as held for sale	46,708

13. PROFIT FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments (Note 14)	8,421	7,263
Other staff		
— Salaries and other benefits	393,734	400,723
— Retirement benefits schemes contributions	37,267	35,095
Share-based payment expense	7,863	8,401
Total staff costs	447,285	451,482
Auditor's remuneration	5,040	4,690
Depreciation of property, plant and equipment	437,444	326,170
Depreciation of investment properties	—	1,367
Amortisation of technical know-how	5,915	4,886
Release from prepaid lease payments	4,522	4,615
Write down of inventories to net realisable value (included in other expenses)	46,209	37,321
Research, design and development expenses (included in other expenses)	143,734	102,529
Reorganisation expenses	11,000	—
Impairment loss on property, plant and equipment	2,844	9,271
Operating lease rentals in respect of rented premises	3,197	4,850
Exchange loss, net	886	1,129
Loss on closure of a production plant		
— Write down of inventories to net realisable value	37,468	—
— Impairment loss on property, plant and equipment	10,810	—
— Impairment loss on other receivables	10,990	—
— Employee severance payment expenses	10,600	—
	69,868	—
Rental income from investment properties	—	(5,609)
Less: Direct rental expenses	—	981
	—	(4,628)

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

The emoluments paid or payable to the directors are as follows:

		2007					2006
Name of Director		**Fees**	**Salaries and other benefits**	**Performance related incentive payments**	**Retirement benefit schemes contributions**	**Total**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ZHU JINKUN		60	1,334	626	100	2,120	2,008
WANG GUOPING		60	718	539	18	1,335	1,102
ONG THIAM KIN, KEN		60	1,554	380	172	2,166	2,110
CHEN CHENG-YU, PETER	b	446	1,447	309	—	2,202	615
YU YU	a	—	—	—	—	—	1,068
JIANG WEI	c	30	—	—	—	30	—
LIU YANJIE	c	15	—	—	—	15	—
LI FUZUO	c	30	—	—	—	30	—
WONG TAK SING	d	120	—	—	—	120	120
LUK CHI CHEONG	d	120	—	—	—	120	120
KO PING KEUNG	d	120	—	—	—	120	120
YANG CHONGHE, HOWARD	e	163	—	—	—	163	—
		1,224	5,053	1,854	290	8,421	7,263

Note:

(a) Mr. Yu Yu had resigned on 11th April, 2006.

(b) Mr. Chen Cheng-yu, Peter was appointed as an executive director on 22nd August, 2006.

(c) Mr. Jiang Wei, Mr. Liu Yanjie and Mr. Li Fuzuo were appointed as non-executive directors on 22nd August, 2006.

(d) Independent non-executive directors and members of the Audit Committee.

(e) Mr. Yang Chonghe, Howard was appointed as an independent nonexecutive director on 22nd August, 2006.

(f) Share-based payment expense is recognised based on the estimated fair value of the share options granted to directors at the date of grant. No such expense was recognised in respect of the year (2006: HK$162,000).

Performance related incentive payments were determined with reference to the Group's operating results, individual performances and comparable market statistics.

Employees

The five highest paid individuals of the Group included three (2006: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining two (2006: three) highest paid employees of the Group are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	4,025	3,571
Performance related incentive payments	687	556
Retirement benefit scheme contributions	—	98
	4,712	4,225

The emoluments of the above employees are within the following bands:

	2007	**2006**
HK$	**Number of employees**	**Number of employees**
1,000,001 to 1,500,000	—	3
2,000,001 to 2,500,000	1	—
More than 2,500,000	1	—

15. DIVIDENDS

On 12th June, 2006, a dividend of 2.0 HK cents per share, totalling HK$53,406,000, was paid to the shareholders as the final dividend for the year ended 31st December, 2005.

On 10th October, 2006, a dividend of 1.0 HK cent per share, totalling HK$27,667,000, was paid to the shareholders as an interim dividend for the six months ended 30th June, 2006.

On 5th June, 2007, a dividend of 1.0 HK cent per share, totalling HK$27,671,000, was paid to the shareholders as the final dividend for the year ended 31st December, 2006.

On 9th October, 2007, a dividend of 1.0 HK cent per share, totalling HK$27,937,000, was paid to the shareholders as an interim dividend for the six months ended 30th June, 2007.

The directors do not propose the payment of a final dividend for the year ended 31st December, 2007.

16. EARNINGS PER SHARE

For both continuing and discontinued operations and continuing operation

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

	2007 *HK$'000*	2006 *HK$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to equity holders of the Company	152,361	232,417
Less: Profit for the year from discontinued operation	(91,950)	(60,425)
Profit for the year from continuing operation, representing earnings for the purpose of basic earnings per share	60,411	171,992
Effect of dilutive potential shares of subsidiaries on their earnings attributable to the Group's continuing operation	(992)	(397)
Earnings for the purpose of diluted earnings per share	59,419	171,595

	2007	2006
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	2,781,703,639	2,713,044,353
Effect of dilutive potential shares Share options	37,527,925	18,630,526
Weighted average number of shares for the purpose of diluted earnings per share	2,819,231,564	2,731,674,879

For discontinued operation

Basic earnings per share for the discontinued operation is 3.31 HK cents per share (2006: 2.23 HK cents per share) and the diluted earnings per share for the discontinued operation is 3.26 HK cents per share (2006: 2.21 HK cents per share), based on the profit from the discontinued operation and the denominators presented above.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Furniture and fixtures	Machinery and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1st January, 2006	397,983	122,197	2,350,855	43,651	428,750	3,343,436
Exchange adjustments	9,753	5,160	120,038	1,781	31,558	168,290
Additions	2,521	10,049	22,800	2,035	602,506	639,911
Acquisition of subsidiaries	14,184	45,527	739,842	3,359	459,340	1,262,252
Disposals	(2,128)	(7,499)	(44,767)	(2,958)	—	(57,352)
Transfers between categories	15,652	16,866	565,748	3,209	(601,475)	—
Transfer from investment properties	60,947	—	—	—	—	60,947
At 31st December, 2006	498,912	192,300	3,754,516	51,077	920,679	5,417,484
Exchange adjustments	30,152	9,804	230,580	3,384	68,340	342,260
Additions	1,948	3,294	108,182	3,082	973,046	1,089,552
Reclassified as held for sale	(6,500)	—	(12,529)	—	(26,024)	(45,053)
Disposals	(4,894)	(1,001)	(14,720)	(3,696)	(1,052)	(25,363)
Disposal of subsidiaries	(136,978)	(75,109)	(1,489,363)	(7,002)	(21,822)	(1,730,274)
Transfers between categories	15,883	31,434	593,210	4,616	(645,143)	—
At 31st December, 2007	398,523	160,722	3,169,876	51,461	1,268,024	5,048,606
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2006	47,738	36,399	747,163	22,396	—	853,696
Exchange adjustments	2,083	1,194	42,026	916	—	46,219
Depreciation provided for the year	20,991	19,539	279,959	5,681	—	326,170
Impairment loss recognised in consolidated income statement	—	—	9,271	—	—	9,271
Eliminated on disposals	(473)	(4,261)	(38,425)	(2,152)	—	(45,311)
Transfer from investment properties	9,800	—	—	—	—	9,800
At 31st December, 2006	80,139	52,871	1,039,994	26,841	—	1,199,845
Exchange adjustments	5,402	2,601	76,829	1,834	—	86,666
Depreciation provided for the year	23,140	27,488	380,245	6,571	—	437,444
Impairment loss recognised in consolidated income statement	—	717	12,130	—	807	13,654
Reclassified as held for sale	(1,725)	—	(4,459)	—	—	(6,184)
Eliminated on disposals	(975)	(976)	(7,064)	(3,106)	—	(12,121)
Eliminated on disposal of subsidiaries	(30,593)	(21,901)	(564,403)	(3,069)	—	(619,966)
At 31st December, 2007	75,388	60,800	933,272	29,071	807	1,099,338
NET BOOK VALUES						
At 31st December, 2007	323,135	99,922	2,236,604	22,390	1,267,217	3,949,268
At 31st December, 2006	418,773	139,429	2,714,522	24,236	920,679	4,217,639

The Group's leasehold properties are situated on land:

	2007	2006
	HK$'000	*HK$'000*
Outside Hong Kong on		
— medium-term lease	321,443	359,252
— short lease	—	51,783
In Hong Kong on medium-term lease	1,692	7,738
	323,135	418,773

Machineries with an aggregate net book value of HK$15,358,000 (2006: HK$199,471,000) were pledged to secure the bank borrowings granted to the Group (Note 27).

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise of land situated:

	2007	2006
	HK$'000	*HK$'000*
Outside Hong Kong on		
— medium-term lease	162,204	163,648
— short lease	—	4,748
In Hong Kong on medium-term lease	1,990	8,788
	164,194	177,184
Analysed for reporting purposes as		
Non-current assets	160,266	172,559
Current assets	3,928	4,625
	164,194	177,184

Land use rights with an aggregate carrying amount of HK$4,572,000 (2006: HK$4,362,000) are pledged to secure the bank borrowings granted to the Group (Note 27).

19. INVESTMENT PROPERTIES

	2006
	HK$'000
COST	
At 1st January	58,782
Exchange adjustments	2,165
Transfer to property, plant and equipment	(60,947)
At 31st December	—
DEPRECIATION	
At 1st January	8,133
Exchange adjustments	300
Provided for the year	1,367
Transfer to property, plant and equipment	(9,800)
At 31st December	—
NET BOOK VALUE	
At 31st December	—

The Group's investment properties were all situated in the Mainland China and held under medium-term lease.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
Equity investments, at cost	9,904	10,105

The investments comprise mainly of the Group's 14.63% equity interest in a private entity established in Hong Kong which is principally engaged in the design, manufacturing and sales of semiconductors. Such investment is carried at cost less any impairment loss, and is not carried at fair value because it does not have a quoted market price in an active market. Since the business of such entity is at preliminary stage, the directors are of the opinion that its fair value cannot be reliably measured.

During the year ended 31st December, 2007, the Group disposed of certain unlisted investments with a carrying amount of HK$256,000 (2006: HK$264,000) at the consideration of HK$3,842,000 (2006: HK$264,000), resulting in a gain of HK$3,586,000 (2006: Nil) for the year which was included in other income.

21. GOODWILL

	HK$'000
CARRYING AMOUNTS	
At 1st January, 2006 and 31st December, 2006	152,777
Eliminated on disposal of subsidiaries	(128,717)
At 31st December, 2007	24,060

The goodwill at 31st December, 2007 arose on acquisition in 2002 of subsidiaries engaged in semiconductor business. The Group determines that the goodwill, which had been allocated to two cash generating units ("CGU"), including two subsidiaries engaging in semiconductor business amounting to HK$10,575,000 and HK$13,485,000 (2006: HK$10,575,000 and HK$13,485,000), was not impaired by comparing the carrying amount of the CGU including the goodwill, with its recoverable amount.

The recoverable amount of the relevant CGU had been determined on the basis of value in use calculation. The value in use calculation use cash flow projections which were based on approved financial budgets covering a 5-year period, and the discount rate of approximately 9%. Zero growth was projected for cash flows beyond the 5-year period. The projected growth rate did not exceed the average long-term growth rate for relevant markets. Other key assumptions for the value in use calculations included the budgeted sales and gross margins, such estimations were based on past performance and management's expectations for the market's development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

22. TECHNICAL KNOW-HOW

	2007	**2006**
	HK$'000	*HK$'000*
COST		
At 1st January	70,796	31,047
Exchange adjustments	3,764	1,954
Additions	595	37,795
Disposals of subsidiaries	(33,751)	—
At 31st December	41,404	70,796
AMORTISATION		
At 1st January	17,133	11,812
Exchange adjustments	614	435
Provided for the year	5,915	4,886
Eliminated on disposal of subsidiaries	(17,936)	—
At 31st December	5,726	17,133
CARRYING AMOUNT		
At 31st December	35,678	53,663

The amortisation charge is included in administrative expenses in the consolidated income statement.

23. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	235,113	305,483
Work in progress	319,033	296,255
Finished goods	259,724	466,830
	813,870	1,068,568

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2007	2006
	HK$'000	*HK$'000*
Trade debtors	934,248	1,513,595
Less: allowance for doubtful receivables	(23,135)	(18,556)
	911,113	1,495,039
Deposits and prepayments	118,870	127,420
	1,029,983	1,622,459

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers, which may be extended to 180 days for selected customers depending on their trade volume and settlement terms. The aged analysis of trade debtors, including notes receivable, net of allowance for doubtful debts, is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 — 60 days	587,632	802,195
61 — 90 days	125,151	176,328
91 — 180 days	186,420	396,316
Over 180 days	11,910	120,200
	911,113	1,495,039

Included in debtors at 31st December, 2006 were notes receivable of HK$109,156,000 due from related companies arising from transactions carried out in the ordinary course of business of the Group. These amounts were unsecured, interest-free and were repayable within the credit periods similar to those offered by the Group to its major customers. No such notes were outstanding at 31st December, 2007.

Included in the Group's debtors are receivables of HK$95,336,000 (31st December, 2006: HK$383,003,000) which are past due at the reporting date but are regarded as not impaired as there has not been a significant change in the credit standing of the debtors. The Group does not hold any collateral over these receivables.

90% (2006: 74%) of the debtors are neither past due nor impaired and have either been subsequently settled or maintain active trade business relationship with the Group.

Included in the Group's debtors are receivables with carrying amounts of HK$83,208,000 (2006: HK$73,305,000) and HK$24,916,000 (2006: HK$15,900,000) which are denominated in United States dollar and Hong Kong dollar respectively, being the foreign currency of the respective group entities.

Aging of trade debtors which are past due but not impaired

	2007	2006
	HK$'000	*HK$'000*
0 — 60 days	4,768	—
61 — 90 days	31,069	11,581
91 — 180 days	47,589	251,222
Over 180 days	11,910	120,200
	95,336	383,003

In determining the recoverability of a receivable, the Group considers whether there has been adverse change in the credit standing of the debtor from the date credit was initially granted. The concentration of credit risk is limited as the Group's customer base comprises of a large number of customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided for in the consolidated financial statements.

Included in the allowance for doubtful debts are individually impaired receivables due from certain trade debtors with an aggregate amount of HK$23,135,000 (2006: HK$18,556,000) which have either been placed under liquidation or are in financial difficulties. The Group does not hold any collateral over these receivables.

Movements in the allowance for doubtful debts

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	18,556	11,993
Exchange differences	1,330	442
Acquisition of subsidiaries	—	2,813
Disposal of subsidiaries	(38)	—
Amounts written off as uncollectible	(2,373)	—
Increase in allowance recognized in profit or loss	5,660	3,308
Balance at end of the year	23,135	18,556

25. BANK BALANCES/PLEDGED BANK DEPOSITS

The bank balances carry interest at market rates ranging from 0% to 5.7% (2006: 0.7% to 4.2%). The pledged bank deposits carry interest at market rates ranging from 1% to 1.2% (2006: 0.7%).

Bank deposits of HK$6,030,000 (2006: HK$7,642,000) were pledged to banks for letters of credit issued by those banks for the Group and for employees' mortgage loans.

Included in the Group's bank balances are balances with carrying amounts of HK$67,654,000 (2006: HK$73,003,000) and HK$12,535,000 (2006: HK$7,237,000) which are denominated in United States dollar and Hong Kong dollar respectively, being the foreign currency of the respective group entities.

26. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors which are included in creditors and accrued charges is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 — 60 days	585,494	729,403
61 — 90 days	147,295	207,704
91 — 180 days	241,814	411,069
Over 180 days	19,626	4,791
	994,229	1,352,967

The average credit period on purchases of goods ranges from 7 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Included in creditors at 31st December, 2007 are payables of HK$104,473,000 due to a related company arising from transactions carried out in the ordinary course of business of the Group. The amount was unsecured, interest-free and is repayable within the credit periods similar to those offered by the Group's major suppliers.

Included in the Group's creditors are creditors with a carrying amount of HK$117,655,000 (2006: HK$73,768,000) which are denominated in United States dollar, being the foreign currency of the respective group entities.

27. BANK BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Bank loans	1,857,508	2,228,923
Secured	76,425	119,057
Unsecured	1,781,083	2,109,866
	1,857,508	2,228,923
Bank loans repayable:		
On demand or within one year	682,762	1,706,617
More than one year, but not exceeding two years	—	94,306
More than two years, but not exceeding five years	1,174,746	428,000
	1,857,508	2,228,923
Less: Amount due within one year shown under current liabilities	(682,762)	(1,706,617)
Amount due after one year shown as non-current liabilities	1,174,746	522,306

Note:

(a) The bank loans include Hong Kong dollar revolving credit and term loan facilities of HK$1,100,000,000 (2006: HK$1,428,000,000), which carry interest at floating rate based on HIBOR plus a margin. The average interest rate for the year is 4.4% (2006: 4.7%). Under the terms of the loan facilities agreements, CRH, the controlling shareholder of the Company, is required to remain as a majority beneficial owner of the issued share capital of the Company and shall maintain its management control over the Company. The maturity dates of the bank loans are as follows:

Bank loan	**Maturity dates**	**2007**	**2006**
HK$		*HK$'000*	*HK$'000*
500,000,000	16th September, 2007	—	500,000
500,000,000	10th December, 2007	—	500,000
428,000,000	13th December, 2011	—	428,000
1,100,000,000	14th March, 2012	1,100,000	—
		1,100,000	1,428,000

(b) The remaining balance of the bank loans comprises of several floating rate bank loans denominated in Hong Kong dollar, Renminbi and United States dollar with an average interest rate of 5.5% (2006: 5.4%).

(c) At 31st December, 2007, the Group had unutilised bank loan facilities of HK$1,901,833,000 (2006: HK$1,245,618,000).

(d) Included in the Group's bank loans are loans with a carrying amount of HK$282,900,000 (2006: HK$202,243,000) which are denominated in United States dollar, being the foreign currency of the respective group entities.

28. PROVISIONS

	Staff housing benefits	**Restructuring costs**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Note a)	*(Note b)*	
At 1st January, 2006	50,953	42,379	93,332
Exchange adjustments	—	1,359	1,359
Utilisation of provisions	(13,072)	(4,508)	(17,580)
At 31st December, 2006	37,881	39,230	77,111
Exchange adjustments	—	996	996
Utilisation of provisions	(6,489)	(3,577)	(10,066)
Write back of provisions	—	(25,858)	(25,858)
At 31st December, 2007	31,392	10,791	42,183

Note:

(a) The provision for staff housing benefits represents management's best estimate of the liabilities of certain subsidiaries established in the Mainland China in respect of housing allowances available to the remaining eligible staff for the purchase of residential properties, based on the local government policy in this regard. The outflow is expected upon the receipt of application to be submitted by the eligible staff for such allowance.

(b) The amount represents provisions for employee termination benefit in relation to restructuring activities of subsidiaries acquired by the Group through the acquisition of the entire equity interest of Wuxi China Resources Microelectronics Co., Ltd. in December 2002. The provisions are to be utilised to meet restructuring expenses, including staff redundancy, in accordance with the restructuring plans adopted when such subsidiaries were acquired. The outflow is expected within the next twelve months from the balance sheet date.

During the year, management reconsidered the restructuring plan of certain subsidiaries acquired and, as a result, determined that the provision for restructuring plan to the extent of HK$25,858,000 previously made is no longer required. Such provision has been written back in the consolidated income statement for the year.

29. LONG-TERM PAYABLES

The Group has entered into an agreement to acquire certain machinery and equipment and technical know-how relating to the manufacturing of wafers. At the balance sheet date, the carrying amount of the outstanding consideration with an aggregate undiscounted principal amount of HK$92,858,000 (2006: HK$94,728,000), which are non-interest bearing, are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	5,791	5,009
More than one year, but not exceeding five years	28,911	23,452
More than five years	37,115	42,573
	71,817	71,034
Less: Amount due within one year included in creditors and accrued charges shown under current liabilities	(5,791)	(5,009)
Amount due after one year shown as non-current liabilities	66,026	66,025

The present values are based on cash flows discounted using a rate based on the borrowing rate of 5.85% for the terms from 10 to 12 years.

30. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Technology know-how	Provisions on assets	Other temporary differences	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	2,325	1,852	3,692	3,822	11,691
Exchange adjustments	1	—	8	—	9
Acquisition of subsidiaries	—	—	2,162	—	2,162
(Charge) credit to consolidated income statement for the year	(807)	(771)	5,112	(980)	2,554
At 31st December, 2006	1,519	1,081	10,974	2,842	16,416
Exchange adjustments	—	—	421	—	421
(Charge) credit to consolidated income statement for the year	110	(417)	1,535	—	1,228
Disposal of subsidiaries	(1,635)	(664)	(4,880)	—	(7,179)
At 31st December, 2007	(6)	—	8,050	2,842	10,886

At 31st December, 2007, the Group had unused tax losses of HK$525,072,000 (2006: HK$234,181,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Losses of HK$110,710,000 (2006: HK$105,044,000) and HK$118,895,000 (2006: nil) will expire in 2011 and 2012 respectively. Other losses may be carried forward indefinitely.

At 31st December, 2007, the Group also had deductible temporary differences of HK$66,526,000 (2006: HK$44,228,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares		Nominal value	
	2007	2006	2007	2006
			HK$'000	*HK$'000*
Shares of HK$0.10 each				
Authorised:				
At beginning and end of the year	6,000,000,000	6,000,000,000	600,000	600,000
Issued and fully paid:				
At beginning of the year	2,765,799,425	2,664,916,071	276,580	266,492
Shares repurchased and cancelled	—	(3,070,000)	—	(307)
Shares issued upon exercise of share options	46,356,000	10,322,000	4,635	1,032
Shares issued upon acquisition of subsidiaries (Note 34)	—	93,631,354	—	9,363
At end of the year	2,812,155,425	2,765,799,425	281,215	276,580

The new shares issued during the year rank pari passu in all respects with the existing shares in issue.

32. SHARE-BASED PAYMENT TRANSACTIONS

(i) The Company's equity-settled share option schemes

On 26th November, 2001, the Company terminated the share option scheme adopted on 15th October, 1994 (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme"). On 21st February, 2002, upon approval of the Company's shareholders, the Company amended the New Share Option Scheme to widen the scope of participants that are eligible to participate in the New Share Option Scheme.

The purpose of the Old Share Option Scheme was to promote commitment by its participants and to encourage its participants to perform their best for the Company. The participants are the employees of the Company (including executive directors) or any of its subsidiaries. As the Old Share Option Scheme had been terminated, no more option can be issued under the Old Share Option Scheme but in all other respects the provisions of the Old Share Option Scheme shall remain in force. The maximum entitlement of each participant shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Old Share Option Scheme. The period within which the shares must be taken up under an option shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. An amount of HK$1 is payable on acceptance of the option within 28 days from its date of grant. The subscription price is the higher of (i) the nominal value of a share and (ii) 80% of the average of the closing prices of the share on the Stock Exchange on the five trading days immediately preceding the date of grant of the options.

The purpose of the New Share Option Scheme is to promote dedication by its participants and to encourage its participants to perform their best in achieving the goals of the Group. The participants are any directors (or any persons proposed to be appointed as such) and employees of each member of the Group; any discretionary object of a discretionary trust established by any employees or directors of each member of the Group; any executives or employees of any business consultants, business partners, professionals and other advisers to each member of the Group (or any persons proposed to be appointed as such); any substantial shareholders of the member of the Group; any associates of the director or substantial shareholders of the Company; and any employees of the Company's substantial shareholders or any employees of such substantial shareholders' subsidiaries or associated companies, as absolutely determined by the Board.

The period within which the shares must be taken up under an option of the New Share Option Scheme shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. An amount of HK$1 is payable on acceptance of the option within 28 days from its date of grant. The subscription price is the highest of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, (ii) a price being the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheet on the five business days immediately preceding the date of grant and (iii) the nominal value of a share. The New Share Option Scheme is valid for 10 years from 26th November, 2001. No further options may be granted pursuant to the New Share Option Scheme after 25th November, 2011.

Share options generally either become fully vested and exercisable within a period of 10 years immediately after the date of grant or become vested over a period of time up to a maximum of three years after the acceptance of a grant.

Options granted to a grantee become lapsed if the grantee ceased to be an eligible participant before the options become vested.

Details of the movements of share options granted under the Company's share option schemes are as follows:

			Number of share options			
Date of grant	**Exercise price**	**Outstanding at 1.1.2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2007**
	HK$					
Old Share Option Scheme						
21.9.2000	0.590	8,250,000	—	(8,250,000)	—	—
25.4.2001	0.547	17,200,000	—	(6,050,000)	—	11,150,000
		25,450,000	—	(14,300,000)	—	11,150,000
New Share Option Scheme						
4.12.2001	0.790	14,520,000	—	(7,020,000)	—	7,500,000
9.4.2002	0.820	23,074,000	—	(8,858,000)	—	14,216,000
22.5.2002	0.920	2,300,000	—	—	—	2,300,000
2.10.2002	0.570	7,203,000	—	(2,598,000)	—	4,605,000
9.4.2003	0.479	17,970,000	—	(6,520,000)	—	11,450,000
3.11.2003	0.800	500,000	—	(300,000)	—	200,000
13.1.2004	0.906	28,470,000	—	(5,560,000)	(300,000)	22,610,000
9.6.2005	0.910	500,000	—	(500,000)	—	—
19.4.2006	0.940	1,000,000	—	(700,000)	(300,000)	—
		95,537,000	—	(32,056,000)	(600,000)	62,881,000
		120,987,000	—	(46,356,000)	(600,000)	74,031,000
Exercisable at the end of the year						74,031,000
Weighted average exercise price (HK$)		0.72	—	0.69	0.92	0.74

Date of grant	Exercise price	Outstanding at 1.1.2006	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2006
	HK$					
Old Share Option Scheme						
21.9.2000	0.590	8,250,000	—	—	—	8,250,000
25.4.2001	0.547	17,200,000	—	—	—	17,200,000
		25,450,000	—	—	—	25,450,000
New Share Option Scheme						
4.12.2001	0.790	14,520,000	—	—	—	14,520,000
9.4.2002	0.820	26,068,000	—	(2,964,000)	(30,000)	23,074,000
22.5.2002	0.920	2,300,000	—	—	—	2,300,000
2.10.2002	0.570	10,201,000	—	(2,918,000)	(80,000)	7,203,000
9.4.2003	0.479	22,560,000	—	(4,440,000)	(150,000)	17,970,000
3.11.2003	0.800	500,000	—	—	—	500,000
13.1.2004	0.906	28,970,000	—	—	(500,000)	28,470,000
9.6.2005	0.910	500,000	—	—	—	500,000
19.4.2006	0.940	—	1,000,000	—	—	1,000,000
		105,619,000	1,000,000	(10,322,000)	(760,000)	95,537,000
		131,069,000	1,000,000	(10,322,000)	(760,000)	120,987,000
Exercisable at the end of the year						117,277,000
Weighted average exercise price (HK$)		0.71	0.94	0.60	0.78	0.72

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$1.38 (2006: HK$0.87). The options outstanding at the end of the year have a weighted average remaining contractual life of 4.8 years (2006: 5.4 years).

The estimated fair values of the share options on the date of grant were calculated using The Black-Scholes pricing model. The inputs into the model are as follows:

Date of grant	Exercise price	Weighted average share price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield	Estimated fair value
	HK$	*HK$*	*%*		*%*	*%*	*HK$*
19th April, 2006	0.940	0.96	24.41	5 years	4.44	3.13	0.21

Expected volatility was determined by using the historical volatility of the Company for the weekly closing share price for the period of 52 weeks before the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

For the year ended 31st December, 2007, the Group recognised the total expense of HK$910,000 (2006: HK$429,000) relating to equity-settled share-based payment transactions in respect of the share options granted by the Company.

(ii) **CSMC equity incentive scheme**

A subsidiary of the Company, CSMC, operates an "Equity Incentive Plan" (the "Plan") for the purpose of sharing the pride of ownership among its participants and to reward their performance and contribution. The Plan was approved by its shareholders and adopted on 8th May, 2004. The eligible participants are any directors and full time employees of CSMC or any of its subsidiaries. The Plan is valid for 10 years from the date of adoption.

The CSMC's shares granted under the Plan will vest in equal portions over a period of four years commencing from the date of grant to the participants. CSMC's shares granted will only be issued once they vest and formal applications from the respective participants are received.

Details of the movements of the shares under the Plan are as follows:

Number of CSMC's shares ('000)	**2007**	**2006**
At 1st January, 2007/at date of acquisition of CSMC	45,883	48,215
Granted during the year/period	—	1,150
Exercised during the year/period	(13,962)	(2,092)
Lapsed during the year/period	(3,683)	(1,390)
Outstanding as at 31st December	28,238	45,883

The estimated fair values of the shares on the date of grant were calculated using The Binomial model. The inputs into the model are as follows:

Date of grant	**Exercise price** *HK$*	**Weighted average share price** *HK$*	**Expected volatility** *%*	**Risk-free rate** *%*	**Expected dividend paid out** *%*	**Estimated fair value** *HK$*
2nd January, 2006	0.078	0.38	27.7	1.08-1.99	0	0.30
16th May, 2006	0.078	0.41	27.7	1.08-1.99	0	0.33

(iii) **CSMC share option scheme**

A subsidiary of the Company, CSMC, operates a "Share Option Scheme" (the "Scheme") for the purpose of providing the participants with the opportunity to acquire proprietary interests in CSMC and to encourage the participants to work towards enhancing the value of CSMC and its shares for the benefit of CSMC and its shareholders as a whole. The Scheme was approved by its shareholders and adopted on 27th May, 2005. The directors of CSMC may grant CSMC's options to eligible participants including any directors and employees of CSMC or any of its subsidiaries; and any advisors, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of CSMC or any of its subsidiaries. The Scheme is valid for 10 years from the date of adoption.

The period which the shares must be taken up under an option of the Scheme shall be notified by the board of CSMC and in any event shall not be later than 10 years from the date the option is granted. The subscription price is the highest of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, (ii) a price being the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheet on the five business days immediately preceding the date of grant and (iii) the nominal value of a share.

Share options granted under the Scheme will vest in equal portions over a period of four years from the commencement of vesting date as approved by CSMC's Remuneration Committee.

Details of the movements of the share options under the Scheme are as follows:

Number of CSMC's share options ('000)	**2007**	**2006**
At 1st January, 2007/at date of acquisition of CSMC	21,291	—
Granted during the year/period	1,987	21,291
Exercised during the year/period	(2,150)	—
Lapsed during the year/period	(1,200)	—
Outstanding as at 31st December	19,928	21,291

The estimated fair value of the share options on the date of grant were calculated using The Binomial model. The inputs into the model are as follows:

Date of grant	**Exercise price**	**Weighted average share price**	**Expected volatility**	**Risk-free rate**	**Expected dividend paid out**	**Estimated fair value**
	HK$	*HK$*	*%*	*%*	*%*	*HK$*
28th May, 2007	0.75	0.75	27.4	3.481	0	0.09
8th September, 2006	0.36	0.36	27.7	1.08-1.99	0	0.04

Expected volatility was based on the volatility return on Hang Seng Index for the past ten years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

For the year ended 31st December, 2007, the Group recognised the total expense of HK$6,953,000 (2006: HK$7,972,000) relating to equity-settled share-based payment transactions in respect of CSMC.

33. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group based on a specified percentage of the employee's basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner in respect of the year (2006: HK$145,442).

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

At the balance sheet date of both years, the amount of forfeited contributions available to reduce contributions payable in the future years is insignificant.

Mainland China

The employees of the Group in the Mainland China are members of state-managed retirement benefit schemes operated by the local government in the Mainland China. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

34. ACQUISITION OF SUBSIDIARIES

On 12th July, 2006, the Group acquired an additional 47.5% of the issued share capital of CSMC and CSMC became a 72.9% owned subsidiary. The carrying amounts and fair value of net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	1,262,252
Prepaid lease payments	4,299
Deferred tax assets	2,162
Inventories	156,300
Debtors, deposits and prepayments	156,218
Tax recoverable	933
Pledged bank deposits	19,272
Bank balances and cash	243,173
Creditors and accrued charges	(188,870)
Bank borrowings	(374,904)
Other non-current liabilities	(36,127)
	1,244,708
Minority interests	(337,689)
Discount on acquisition accounted for in consolidated income statement	(41,296)
	865,723
Total consideration satisfied by:	
Cash	467,464
Shares issued (Note)	73,032
	540,496
Interest in an associate	325,227
	865,723
Net cash outflow arising on acquisition:	
Cash consideration paid	(467,464)
Bank balances and cash acquired	243,173
	(224,291)

Note:

As part of the consideration for the acquisition, a total of 93,631,354 shares of the Company with a par value of HK$0.10 each were issued. The fair value of the shares issued, which was determined by reference to the share price quoted on the Stock Exchange at the date of acquisition, amounted to HK$73,032,000.

The directors consider that the carrying amount of the net assets of CSMC approximates its fair value.

The acquiree contributed turnover of HK$367,850,000 and profits of HK$41,224,000 to the Group for the year ended 31st December, 2006.

If the acquisition had been completed on 1st January, 2006, the Group's revenue and profit for the year ended 31st December, 2006 would have been HK$3,748,898,000 and HK$281,770,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2006, nor is it intended to be a projection of actual results.

35. CONTINGENT LIABILITIES

The Group has issued guarantees of HK$3,750,000 (2006: HK$4,006,000) to a bank in respect of the mortgage loans borrowed by the employees of a subsidiary. Management anticipates that no material liabilities to the Group will arise from the guarantees.

36. OPERATING LEASES

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	5,451	3,539
In the second to fifth year inclusive	6,497	4,494
After five years	2,847	3,653
	14,795	11,686

Operating lease payments represent rentals payable by the Group for office and factory premises. Leases are negotiated and rentals are fixed for a term ranging from one to ten years.

37. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment		
Authorised but not contracted for	2,711,486	504,621
Contracted for but not provided (Note)	890,623	679,817

Note:

During the year ended 31st December, 2006, the Group entered into an agreement with a minority shareholder of a subsidiary (the "Vendor") for the acquisition of certain tools, equipment and spare parts for an aggregate consideration of US$35,000,000 (equivalent to HK$272,948,000), of which US$24,858,000 (equivalent to HK$193,856,000) (2006: US$12,000,000, equivalent to HK$93,343,000) had been paid and accrued up to the balance sheet date in respect of the items delivered. The amount of commitments disclosed above includes the balance of the consideration of US$10,142,000 (equivalent to HK$79,092,000) (2006: US$23,000,000, equivalent to HK$178,908,000) which is payable by 4 annual instalments.

Pursuant to another agreement entered into with the Vendor, the Group has undertaken to make incentive payment of US$5,000,000 (equivalent to HK$38,993,000) to a subsidiary of the Vendor in the event that the cumulative revenue from assembly and testing services provided by the Group arising from orders placed by customers of the Vendor for the years 2007 to 2010 exceeds an agreed amount. However, no fair value was ascribed to the undertaking as at the balance sheet date, which has been accounted for as a derivative, as the directors consider that the equipment is still under installation and it is unlikely that the agreed amount could be achieved based on the Group's assessment.

38. POST BALANCE SHEET EVENT

In December 2007, the Group announced a reorganization scheme pursuant to which:

— the Company entered into a conditional agreement with CSMC for the sale of the entire interests in certain of the Company's subsidiaries engaging principally in the manufacture of semi-conductors and the shareholders' loans advanced to these subsidiaries to CSMC, for an aggregate consideration of approximately HK$1,488,900,000 which will be satisfied by the issue of a minimum of 3,050,581,517 and a maximum of 3,210,167,717 shares in CSMC to the Company.

— the Company also entered into a conditional agreement with China Resources Concrete Limited for the purchases of the entire issued voting share capital of Redland Concrete Limited for a cash consideration of HK$217,757,665. Details regarding the reorganisation and the financial effects on the Group are set out in the circular to shareholders dated 16th January, 2008 dispatched to the Company's shareholders.

— the board of directors of the Company resolved to distribute, subject to the fulfilment of certain conditions, to the shareholders of the Company, its shares in CSMC, by way of a dividend in specie on the basis of 180 shares in CSMC for every 100 shares in the Company held.

Upon completion of the scheme, CSMC will cease to be a subsidiary of the Group. The Group will no longer be engaged in the semiconductor business, but will be principally engaged in the supply of ready mixed concrete and related products to the Hong Kong and Macau markets.

Completion of the above transactions was conditional upon, inter alia, (i) the approval by independent shareholders of the Company and CSMC and (ii) the written consent from the lenders of the Company, CSMC and their respective subsidiaries, which were fulfiled subsequent to the balance sheet date.

39. RELATED PARTY TRANSACTIONS

Transactions with related parties

In addition to the related parties transactions set out in the respective notes to the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

	2007	**2006**
	HK$'000	*HK$'000*
Sales to a fellow subsidiary	2,468	2,352
Rental expenses paid to a fellow subsidiary	2,495	2,165
Rental income received from a fellow subsidiary	595	565
Rental income received from an associate	—	5,044
Sales to an associate	—	47,532
Wafer fabrication service charges paid to an associate	—	62,118
Commission paid to a minority shareholder	1,622	—
Sales to subsidiaries of minority shareholders of subsidiaries	143,504	145,173
Royalties paid to minority shareholders of subsidiaries, net	37,828	20,870
License fees paid to minority shareholders of subsidiaries, net	10,380	15,029

The amounts due from/to minority shareholders as included in the consolidated balance sheet are unsecured, interest-free and repayable on demand.

Transactions/balances with other state-controlled entities

The Group itself is part of a larger group of companies under CRNC which is controlled by the government of the People's Republic of China ("PRC"). Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the consolidated financial statements, the Group also conducts businesses with entities directly or indirectly owned or controlled by the PRC government in the ordinary course of business. The directors consider those entities other than the CRNC group are independent third parties as far as the Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the consolidated financial statements.

Compensation of key management personnel of the Group

	2007	**2006**
	HK$'000	*HK$'000*
Short-term benefits	8,132	6,933
Post-employment benefits	289	330
Share-based payment	—	162
	8,421	7,425

The remunerations of the Group's key management personnel include those of the directors of the Company only, which are determined with reference to the terms of the remuneration committee, are disclosed in Note 14.

40. GOVERNMENT GRANTS

Government grants of HK$111,967,000 (2006: HK$53,003,000) represent subsidies granted by PRC governmental authorities for the purpose of financing the purchases of machinery and equipment and relevant expenses for the development of new products. The government grants recognised as income for the year in accordance with the Group's accounting policy amounted to HK$10,520,000 (2006: HK$6,339,000).

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of ownership interest held 2007 %	2006 %	Principal activities
Semiconductor business					
華潤微電子（控股）有限公司 China Resources Microelectronics (Holdings) Limited	British Virgin Islands	Ordinary US$11	100	100	Investment holding
華潤半導體有限公司 China Resources Semiconductor Company Limited	Hong Kong	Ordinary HK$3	100	100	Manufacture and sales of integrated circuit design and wafer packaging
Faithway Resources Limited	British Virgin Islands	Ordinary US$1	100	100	Investment holding
# 深圳華潤矽科微電子有限公司	Mainland China	US$1,800,000	100	100	Design of wafer
# 賽美科微電子（深圳）有限公司 Semicon Microelectronics (Shen Zhen) Co., Ltd.	Mainland China	US$7,550,000	100	100	Testing and packaging of wafers
# 無錫華潤微電子有限公司 Wuxi China Resources Microelectronics Co., Ltd.	Mainland China	RMB570,000,000	100	100	Manufacture and sales of integrated circuit, packaging and testing of integrated circuit, investment holding
# 無錫華潤矽科微電子有限公司 Wuxi China Resources Semico Co., Ltd.	Mainland China	RMB25,000,000	100	100	Design, testing and sale of integrated circuit products and chips
@ 無錫華潤華晶微電子有限公司 Wuxi China Resources Huajing Microelectronics Co., Ltd.	Mainland China	RMB235,000,000	99.662	99.662	Manufacture and sale of integrated circuit
# 無錫華潤晶芯半導體有限公司 Wuxi CR Semiconductor Wafers & Chips Ltd.	Mainland China	RMB330,348,671	100	100	Manufacture and sales of integrated circuit
# 無錫華潤安盛科技有限公司 Wuxi CR Micro-Assemb Tech. Ltd.	Mainland China	RMB320,000,000	100	100	Testing and packaging of wafers

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of ownership interest held 2007 %	2006 %	Principal activities
華潤上華科技有限公司 CSMC Technologies Corporation	Cayman Islands	Ordinary US$35,145,000	72.41	72.82	Investment holding
# 無錫華潤上華半導體有限公司 CSMC Technologies Fab 1 Co., Ltd.	Mainland China	US$87,436,849	72.41	72.82	Manufacture and sale of integrated circuit and related products
# 無錫華潤上華科技有限公司 CSMC Technologies Fab 2 Co., Ltd.	Mainland China	US$50,000,000	72.41	72.82	Manufacture and sale of integrated circuit and related products
# 北京華潤上華半導體有限公司 CSMC Technologies Fab 3 Co., Ltd.	Mainland China	US$18,800,000	72.41	72.82	Manufacture and sale of integrated circuit and related products
Compressor business					
華潤制冷科技有限公司 China Resources Cooling Technology Co., Ltd.	British Virgin Islands	Ordinary US$66	—	100	Investment holding
@ 瀋陽華潤三洋壓縮機有限公司 China Resources (Shenyang) Sanyo Compressor Co., Ltd.	Mainland China	US$159,980,000	—	63.75	Manufacture and sale of compressors for air-conditioners
@ 瀋陽盛潤三洋壓縮機有限公司 Shenyang Shengrun Sanyo Compressor Co. Ltd.	Mainland China	US$20,000,000	—	63.75	Manufacture and sale of compressors for air-conditioners
Others					
CRT (BVI) Limited	British Virgin Islands	Ordinary US$14	100	100	Investment holding

All the above subsidiaries, except for CRT (BVI) Limited which is directly held, are indirectly held by the Company and are operating principally in their place of incorporation/ establishment.

None of the subsidiaries had any debt securities outstanding at 31st December, 2007 or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

@ Equity Joint Venture

Wholly Foreign Owned enterprises

REVIEW OF OPERATIONS AND PROSPECTS OF THE GROUP

Acquisition of Redland Concrete

On 4th December, 2007, the Company entered into a conditional agreement with CRM for the sale of the Semiconductor Business of the Group, being all its semiconductor operations other than China Resources Semiconductor Company Limited which operates a 4 inch wafer fab in Tai Po, Hong Kong, for a consideration of approximately HK$1,488.9 million which has been satisfied by the issue of 3,106,932,317 new shares in CRM to the Company. The disposal consideration represents the aggregate net asset value of the Semiconductor Business being acquired based on its management accounts as at 30th June, 2007 adjusted for the payment of a dividend of approximately HK$474.4 million.

On 4th December, 2007, the Company entered into a conditional agreement with China Resources Concrete Limited, a subsidiary of China Resources Holdings, the substantial and controlling shareholder of the Company, for the purchase of the entire issued voting share capital of Redland Concrete for a cash consideration of approximately HK$217,757,000. The consideration was determined by referencing to the unaudited consolidated net asset value of Redland Concrete as at 31st October, 2007 and its financial results in recent years. Redland Concrete is principally engaged in the production and sale of ready mixed concrete within Hong Kong. It also engaged in the production and sale of ready mixed mortars.

After the completion of the disposal of the semiconductor interests of the Company and the acquisition of Redland Concrete by the Company in March 2008, five Directors (comprising three executive Directors and two non-executive Directors) resigned and two additional Directors (comprising one executive Director and one non-executive Director) were appointed by the Company. It is currently intended that due to internal restructuring, one executive Director and one non-executive Director will resign following the completion of the Transactions. As a result of the reduction of the total number of Directors, the aggregate remuneration payable to and benefits in kind receivable by the Company (excluding the aggregate remuneration payable to and benefits in kind receivable by the Company to the Proposed Directors) is therefore expected to decrease from approximately HK$8,421,000 for the year ended 31 December 2007 to approximately HK$4,288,000 for the year ending 31 December 2008.

Acquisition of CR Gas

On 21 August 2008, the Company entered into the Share Purchase Agreement to agree conditionally to acquire the entire issued share capital of CR Gas, a wholly-owned subsidiary of China Resources Holdings. To finance the Acquisition, the Company proposed to issue Rights Shares on the basis of four (4) Rights Shares for every one (1) existing Share held at the close of business on the Record Date.

The CR Gas Group is principally engaged in city gas distribution (including natural and/or petroleum gas) in Chengdu, Fuyang, Huaibei, Linhai, Suzhou and Wuxi of the PRC and operates CNG filling stations in Chengdu, Nanjing and Wuxi of the PRC. The CR Gas Group is also engaged in bottled LPG distribution in Fuyang, Suzhou and Wuxi of the PRC.

Pursuant to the Share Purchase Agreement, the Company conditionally agreed to acquire, and China Resources Holdings conditionally agreed to sell or procure the sale of the CR Gas Shares. The Acquisition is subject to the approval of the independent shareholders of the Company at a special general meeting to be held on or around 6 October 2008.

The consideration payable by the Company for the Acquisition is HK$3,814.8 million. The consideration for the Acquisition under the Share Purchase Agreement has been arrived at after arm's length negotiations between China Resources Holdings and the Company after taking into account various relevant factors including the strategic rationale behind the transactions contemplated, the nature of the relevant businesses, the historical financial information, consolidated net asset value, current market valuations and future prospects of the relevant industries including general economic trends and market growth and the prevailing commercial and business conditions in which CR Gas operates.

The consideration of HK$3,814.8 million payable by the Company to China Resources Holdings for the Acquisition shall be satisfied in cash and payable at Completion. The Company is proposing that the consideration be funded by the Rights Issue. The completion of the Acquisition is conditional upon the completion of the Rights Issue. The Rights Issue is fully underwritten by Splendid Time Investments Inc., a wholly owned subsidiary of China Resources Holdings, and is conditional upon the fulfillment of the conditions set out in the Underwriting Agreement and the approval by the Company's independent Shareholders.

The Acquisition will allow the Company to expand into the city gas distribution business in China, which should provide for stable cash flows and a higher growth potential by capturing the increase in demand for natural gas in China and leveraging China Resources Group's strong presence and brand name in China. Following the completion of the Acquisition, the Company's primary focus will be on the city gas distribution business operated through the CR Gas Group as a platform to expand into the promising natural gas industry in the PRC. The Company will endeavour to become one of the leading city gas distributors in China through further new project development, existing project expansion and acquisition of project companies. The Company currently intends to continue to operate its non-core businesses engaged in the production and sale of ready mixed concrete within Hong Kong through its wholly-owned subsidiary, Redland Concrete.

After the completion of the disposal of the semiconductor interests of the Company and the acquisition of Redland Concrete by the Company in March 2008, there are currently eight Directors serving on the Board of the Company, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. Following completion of the Transactions, it is intended that three additional Directors (comprising one executive director and two non-executive directors) will be appointed and two Directors of the Company (comprising one executive Director and one non-executive Director) will resign. As a result, the total number of Directors will stand at nine following completion of the Transactions, as compared with eleven on 31 December 2007, and the aggregate remuneration payable to and benefits in kind receivable by the Company is therefore expected to decrease from approximately HK$8,421,000 for the year ended 31 December 2007 to approximately HK$3,900,000 for the year ending 31 December 2008.

STATEMENT OF INDEBTEDNESS

Borrowings

The borrowings of the Enlarged Group as at 31 August 2008 are as follows:

	HK$'000
Unsecured bank and other borrowings	197,653
Bank and other borrowings payable:	
On demand or within one year	141,678
More than two years, but not exceeding five years	49,366
Over five years	6,609
	197,653
Pledged bank deposit	740

Foreign currency amounts have been translated at the approximate exchange rate prevailing at the close of business on 31 August 2008.

Save as disclosed above, the Enlarged Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings of the Enlarged Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 August 2008.

WORKING CAPITAL

Taking into account of the proceeds from the Rights Issue and the financial resources of the Enlarged Group comprising the Group, CR Gas and CR Gas' subsidiaries, including internally generated funds and credit facilities available to the Enlarged Group on completion of acquisition of CR Gas Group, the Directors, after due and careful consideration, are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of publication of this Prospectus.

The following is the text of an accountants' report from Deloitte Touche Tohmatsu, the reporting accountants, on the unaudited pro forma financial information.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

TO THE DIRECTORS OF CHINA RESOURCES LOGIC LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of China Resources Logic Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the rights issue of 1,131,533,368 rights shares of HK$0.10 each at HK$3.42 per rights share on the basis of four rights shares for every one share held (the "Rights Issue") might have affected the consolidated net tangible assets of the Group presented as at 30 June 2008, for inclusion in Appendix II of the prospectus dated 8 October 2008 issued by the Company in connection with the Rights Issue (the "Prospectus"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on page II-3 of the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2008 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 October 2008

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2008. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the net tangible assets of the Group as at 30 June 2008 as extracted from the published unaudited interim report of the Group for the six months ended 30 June 2008 and is adjusted for the effect of the Rights Issue.

Unaudited consolidated net tangible assets as at 30 June 2008	Estimated net proceeds from the Rights Issue (Note 1)	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2008 as adjusted for the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 June 2008 as adjusted for the Rights Issue (Note 2)
HK$'000	*HK$'000*	*HK$'000*	*HK$*
338,601	3,861,344	4,199,945	2.969

Notes:

1. The estimated net proceeds from the Rights Issue are calculated based on 1,131,533,368 Rights Shares of HK$0.1 each at HK$3.42 per Rights Share, after deducting the estimated related expenses of approximately HK$8.5 million to be incurred by the Company.

2. The calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share is based on 1,414,416,710 Shares including 282,883,342 Shares in issue as at 30 June 2008 and 1,131,533,368 Rights Shares. As at 30 June 2008, the Company has 212,000 share options in issue. The preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets assumes no exercise of those share options.

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this Prospectus misleading.

2. FURTHER INFORMATION ABOUT THE COMPANY

The Company was incorporated in Bermuda on 20 September 1994. Its registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business in Hong Kong is at Room 4006, 40th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

3. INFORMATION ABOUT THE ISSUE SHARES

	Number of Shares	*Amount (HK$)*
Authorised:		
Ordinary shares of HK$0.1 each	10,000,000,000	1,000,000,000.00
Issued and fully paid:		
Ordinary shares of HK$0.1 each	282,883,342	28,288,334.20

4. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Underwriter

Splendid Time Investments Inc.
Wickhams Cay
Road Town
Tortola
British Virgin Islands

Legal advisers to the Company

as to Hong Kong law:

Slaughter and May
47th Floor, Jardine House
One Connaught Place
Central
Hong Kong

	as to Bermuda law:
	Appleby 8th Floor, Bank of America Tower 12 Harcourt Road Central Hong Kong
	as to PRC law:
	Fangda Partners 14th Floor, Tower Two Kerry Plaza 1 Zhong Xin Si Road Futian District Shenzhen 518048 China
Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	Bank of Communications Co., Ltd., Hong Kong Branch 20 Pedder Street Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

Hong Kong Branch Share registrar and transfer office	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised representatives	Mr. Zhou Longshan 8th Floor, Kaiseng Commercial Centre 4-6 Hankow Road Tsim Sha Tsui Kowloon Hong Kong
	Mr. Ong Thiam Kin Room 4006 China Resources Building 26 Harbour Road Wanchai Hong Kong
Company secretary	Mr. Lee Yip Wah, Peter
Qualified accountant	Mr. Ong Thiam Kin

5. MORTGAGES AND CHARGES OF THE ENLARGED GROUP

As at the Latest Practicable Date, a bank deposit of HK$740,000 was pledged to a bank for issuing a guarantee for utility usage.

6. TOTAL AMOUNT OF ANY CONTINGENT LIABILITIES OF THE ENLARGED GROUP

The Enlarged Group had no significant contingent liabilities as at the Latest Practicable Date.

7. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

(a) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company and according to the register of interest kept by the Company under section 336 of the SFO, the parties (other than a Director or chief executive of the Company) which had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Enlarged Group were as follows:

(i) **Interests in the Shares:**

Name of shareholder	Number of shares	Nature of Interests	Percentage of shares held (%)
Gold Touch	29,722,960 *(Note)*	Beneficial	10.51%
Waterside	53,534,774 *(Note)*	Beneficial	18.92%
Splendid Time	110,968,881 *(Note)*	Beneficial	39.23%
China Resources Holdings	483,600 *(Note)*	Beneficial	0.17%
China Resources Holdings	194,226,615 *(Note)*	Interest of Controlled Corporation	68.66%
CRC Bluesky	194,710,215 *(Note)*	Interest of Controlled Corporation	68.83%
CRCL	194,710,215 *(Note)*	Interest of Controlled Corporation	68.83%
CRN	194,710,215 *(Note)*	Interest of Controlled Corporation	68.83%

Note:

* Gold Touch, Waterside and Splendid Time each directly holds 29,722,960 Shares, 53,534,774 Shares and 110,968,881 Shares respectively in the Company. Gold Touch, Waterside and Splendid Time are wholly-owned subsidiaries of China Resources Holdings, which is therefore deemed to interested in 194,226,615 Shares of the Company under Part XV of the SFO. In addition, China Resources Holdings directly holds 483,600 Shares in the Company. China Resources Holdings is a wholly-owned subsidiary of CRC Bluesky. CRC Bluesky is a wholly-owned subsidiary of CRCL which in turn is 99.98% owned by CRN. CRC Bluesky, CRCL and CRN are all therefore deemed to be interested in 194,710,215 Shares of the Company under Part XV of the SFO.

(ii) **Substantial shareholders of other members of the Enlarged Group:**

So far as was known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons, were, directly or indirectly, interested in 10 per cent. or more of the share capital carrying rights to vote at general meetings of the following members of the Enlarged Group:

Member of the Enlarged Group	Name of substantial shareholder	Percentage of shares held (%)
Nanjing Gas	Nanjing City Construction Investment Holdings (Group) Company Limited (南京市城市建設投資控股(集團)有限責任公司)	10%
Fuyang Gas	Fuyang City Construction Investment Company Limited (富陽市城市建設投資有限公司)	50%
Suzhou Gas	Suzhou City Huqiu District State-owned (Collective) Asset Management Limited (蘇州市虎丘區國有(集體)資產經營公司)	30%
Huaibei Gas	Huaibei City Utilities Asset Management Company Limited (淮北市公用事業資產運營有限公司)	40%

(b) Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than a Director or chief executive of the Company) who has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Enlarged Group (including any options in respect of such capital), or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

8. DIRECTORS' AND PROPOSED DIRECTORS' INTERESTS IN SECURITIES

So far as was known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the interests and/or short positions of the Directors and Proposed Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) **Interests in issued ordinary shares and underlying shares of the Company**

Name of Director/ Proposed Director	Capacity	Long or short position	Number of shares	Number of share options[1]	Aggregate percentage of interest[2]
Mr. Zhou Longshan	Beneficial owner	Long position	6,000	—	0.0021%
Mr. Li Fuzuo	Beneficial owner	Long position	51,000	—	0.0180%
Mr. Du Wenmin	Beneficial owner	Long position	54,000	—	0.0191%
Mr. Wong Tak Shing	Beneficial owner	Long position	40,000	—	0.0141%

Notes:

1. This refers to the number of underlying shares of the Company covered by its share option scheme.

2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.

(b) **Interests in issued ordinary shares and underlying shares of China Resources Enterprise, Limited ("CRE"), an associated corporation of the Company**

Name of Director/ Proposed Director	Capacity	Long or short position	Number of shares	Number of share options[1]	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[2]
Mr. Ong Thiam Kin	Beneficial owner	Long position	70,000	—	—	—	0.0029%
Mr. Jiang Wei	Beneficial owner	Long position	240,000	—	—	—	0.0100%
Mr. Du Wenmin	Beneficial owner	Long position	100,000	—	—	—	0.0042%
Mr. Wang Chuandong	Beneficial owner	Long position	—	100,000[3]	9.72	13 January 2004	0.0251%
	Beneficial owner	Long position	—	500,000[4]	10.35	4 October 2004	

Notes:

1. This refers to the number of underlying shares of CRE covered by its share option schemes.

2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRE to the total issued share capital of CRE as at the Latest Practicable Date.

3. The share options are exercisable during the period from 1 January 2007 to 13 January 2014.

4. The share options are exercisable within a period of 10 years from the date of grant.

5. In each case, HK$1.00 is payable upon acceptance of the share options granted.

(c) **Interests in issued ordinary shares and underlying shares of China Resources Power Holdings Company Limited ("CRP"), an associated corporation of the Company**

Name of Director/ Proposed Director	Capacity	Long or short position	Number of shares	Number of share options[1]	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[2]
Mr. Ong Thiam Kin	Beneficial owner	Long position	100,000	50,000[3]	2.80	12 November 2003	0.0036%
Mr. Jiang Wei	Beneficial owner	Long position	1,040,000	200,000[3]	2.80	12 November 2003	0.0382%
	Beneficial owner	Long position	—	360,000[5]	3.99	18 March 2005	
Mr. Li Fuzuo	Beneficial owner	Long position	480,000	90,000[3]	2.80	12 November 2003	0.0179%
	Beneficial owner	Long position	—	180,000[5]	3.99	18 March 2005	
Mr. Du Wenmin	Beneficial owner	Long position	270,000	180,000[4]	2.80	12 November 2003	0.0107%
Mr. Ma Guoan	Interest of spouse	Long position	20,000	—	—	—	0.0005%
Mr. Wang Chuandong	Beneficial owner	Long position	—	100,000[6]	2.80	6 October 2003	0.0024%
Mr. Wei Bin	Beneficial owner	Long position	—	110,000[6]	2.80	6 October 2003	0.0026%

Notes:

1. This refers to the number of underlying shares of CRP covered by its share option scheme.

2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRP to the total issued share capital of CRP as at the Latest Practicable Date.

3. The share options are exercisable during the period from 6 October 2007 to 5 October 2013.

4. The share options are exercisable in 2 tranches, from 6 October 2007 and 2008 to 5 October 2013.

5. The share options are exercisable in 3 tranches, from 18 March 2008, 2009 and 2010 to 17 March 2015.

6. The share options are exercisable in 5 tranches, from 6 October 2004, 2005, 2006, 2007 and 2008 to 5 October 2013.

7. In each case, HK$1.00 is payable upon acceptance of the share options granted.

(d) Interests in issued ordinary shares and underlying shares of China Resources Land Limited ("CR Land"), an associated corporation of the Company

Name of Director/ Proposed Director	Capcaity	Long or short position	Number of shares	Number of share options[1]	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[2]
Mr. Ong Thiam Kin	Beneficial owner	Long position	150,000	—	—	—	0.0032%
Mr. Jiang Wei	Beneficial owner	Long position	892,000	—	—	—	0.0189%
Mr. Li Fuzuo	Beneficial owner	Long position	750,000	250,000[3]	1.23	1 June 2005	0.0212%
Mr. Du Wenmin	Beneficial owner	Long position	790,000	250,000[3]	1.23	1 June 2005	0.0221%
Mr. Ma Guoan	Interest of spouse	Long position	10,000	—	—	—	0.0002%

Notes:

1. This refers to the number of underlying shares of CR Land covered by its share option scheme.

2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CR Land to the total issued share capital of CR Land as at the Latest Practicable Date.

3. The share options are exercisable in 2 tranches, from 1 June 2008 and 2009 to 31 May 2015.

4. In each case, HK$1.00 is payable upon acceptance of the share options granted.

(e) **Interests in issued ordinary shares and underlying shares of CRM, an associated corporation of the Company**

Name of Director/ Proposed Director	Capcaity	Long or short position	Number of shares	Number of share options[1]	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[2]
Mr. Zhou Longshan	Beneficial owner	Long position	108,000	—	—	—	0.0018%
Mr. Ong Thiam Kin	Beneficial owner	Long position	5,031,767	—	—	—	0.0859%
Mr. Jiang Wei	Beneficial owner	Long position	537,614	—	—	—	0.0092%
Mr. Li Fuzuo	Beneficial owner	Long position	918,000	—	—	—	0.0157%
Mr. Du Wenmin	Beneficial owner	Long position	972,000	—	—	—	0.0166%
Mr. Luk Chi Cheong	Beneficial owner	Long position	774,322	—	—	—	0.0132%
Mr. Wei Bin	Beneficial owner	Long position	216,000	—	—	—	0.0037%

Notes:

1. This refers to the number of underlying shares of CRM covered by its equity incentive plan or share option scheme.

2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRM to the total issued share capital of CRM as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Proposed Directors had an interest and/or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

9. DIRECTORS' AND PROPOSED DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors and the Proposed Directors was materially interested in any contract or arrangement subsisting at the date of this Prospectus, and which was significant in relation to the business of the Enlarged Group.

10. SERVICE CONTRACTS

As at the date of this Prospectus, none of the Directors and Proposed Directors has entered into any service contract with any member of the Enlarged Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation, nor does the Company intend to enter into any such service contracts with the Proposed Directors.

11. COMPETING INTERESTS

As at the date of this Prospectus, none of the Directors and their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his associates were appointed to represent the interests of the Company and/or the Group.

12. EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given opinions or advice contained in this Prospectus:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusions of its letters, reports and opinion (as the case may be) as set out in this Prospectus and references to its name in the form and context in which it is included.

Deloitte Touche Tohmatsu has confirmed that it was not beneficially interested in the Shares of the Company and its subsidiaries and did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

13. INTERESTS IN ASSETS

None of the Directors, Proposed Directors or the expert named in paragraph 12 of this appendix had since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Enlarged Group, or are proposed to be acquired or disposed of by or leased to the Enlarged Group.

14. MATERIAL ADVERSE CHANGE

Save as otherwise publicly disclosed by the Company, the Directors are not aware of any material adverse change in the financial or trading position of the Company and its subsidiaries since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

15. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Enlarged Group.

16. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

(a) Names and addresses of the Directors of CR Logic

Name	Correspondence address
Executive Directors:	
Mr. Zhou Longshan	c/o Redland Concrete Limited 8/F., Kaiseng Commercial Centre, 4-6 Hankow Road, T.S.T. Kowloon, Hong Kong
Mr. Ong Thiam Kin	c/o China Resources Logic Limited Room 4006, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Non-executive Directors:	
Mr. Jiang Wei	c/o China Resources (Holdings) Company Limited 47/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Mr. Li Fuzuo	c/o China Resources (Holdings) Company Limited 47/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Mr. Du Wenmin	c/o China Resources (Holdings) Company Limited 47/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Independent non-executive Directors:	
Mr. Wong Tak Shing	c/o Messrs. Wong Sham & Co. Room 806, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong
Mr. Luk Chi Cheong	c/o C.C. Luk & Co., Unit 2210, 113 Argyle Street, Mongkok, Kowloon
Dr. Yang Chonghe, Howard	c/o Montage Technology Group, Inc., Suite 406, Innovation Center, 680 Guiping Road, Shanghai 200233, China

(b) **Qualifications of the Directors**

Executive Directors:

Mr. Zhou Longshan, aged 48, was appointed as Chairman, Chief Executive Officer and Executive Director of the Company with effect from 21 March 2008. He is the Managing Director of Redland Concrete. He was appointed as an Executive Director of CR Cement with effect from March 2003, the listing of the shares of which on the Main Board of the Stock Exchange was withdrawn on 26 July 2006. CR Cement is a fellow subsidiary of the Company. Mr. Zhou joined China Resources Holdings in 1984 and has over 20 years of experience in international trade and corporate management. Mr. Zhou obtained a Bachelor's Degree in Economics from the Jilin Finance and Trade Institute in China.

Mr. Ong Thiam Kin, aged 51, was appointed as an Executive Director and Chief Financial Officer of the Company on 28 May 2001 with overall responsibilities for the financial and legal operations of the Group. He was a Non-executive Director of CRM (formerly known as CSMC Technologies Corporation), a company whose shares are listed on the Main Board of the Stock Exchange and he resigned on 20 March 2008. He is also a director of various subsidiaries of the Group. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and members of the national accounting bodies of Singapore and Malaysia. He obtained a Master of Business Administration Degree from the University of Southern Queensland, Australia. He has more than 20 years of diverse range of experience in professional practice and various industries straddling countries and cities in Southeast Asia, the PRC and Hong Kong.

Non-executive Directors:

Mr. Jiang Wei, aged 45, was appointed as a Non-executive Director of the Company on 22 August 2006. Mr. Jiang is currently a Director and Chief Financial Officer of China Resources Holdings and China Resources National Corp. Mr. Jiang is a Non-executive Director of China Resources Enterprise, Limited, China Resources Power Holdings Company Limited, China Resources Land Limited, CRM and China Assets (Holdings) Limited. He is also an Executive Director of Cosmos Machinery Enterprises Limited and an Independent Non-executive Director of Greentown China Holdings Limited. Shares of the above seven immediately mentioned companies are listed on the Main Board of the Stock Exchange. He was also a Non-executive Director (resigned on 8 August 2008) of CR Cement, the listing of the shares of which company on the Main Board of the Stock Exchange was withdrawn on 26 July 2006. Further, Mr. Jiang was the Chairman and Non-executive Director (resigned on 30 March 2006) of China Resources Peoples Telephone Company Limited, the listing of the shares of which company on the Main Board of the Stock Exchange was withdrawn on 29 March 2006. He was also a Chairman (resignation effective on 30 June 2008) of Shandong Dong-E E-Jiao Co., Ltd., the shares of which company are listed on the Shenzhen Stock Exchange. He is also a Director of

China Vanke Co., Ltd., which is a listed company in China. He joined China Resources Holdings in 1988. Mr. Jiang obtained both his Bachelor's Degree in International Trade and Master's Degree in International Business and Finance from the University of International Business and Economics in Beijing, China.

Mr. Li Fuzuo, aged 44, was appointed as a Non-executive Director of the Company on 22 August 2006. Mr. Li is currently an Assistant President of China Resources Holdings and General Manager of its Strategy Management Department. Mr. Li is also a Non-Executive Director of China Resources Enterprise, Limited, China Resources Land Limited and CRM. Shares of the above three immediate mentioned companies are listed on the Main Board of the Stock Exchange. He was a Non-executive Director (resigned on 30 March 2006) of China Resources Peoples Telephone Company Limited, the listing of the shares of which company on the Main Board of the Stock Exchange was withdrawn on 29 March 2006. Further, Mr. Li was the Deputy Chairman and General Manager (resigned on 6 March 2006) of China Resources (Jilin) Bio-Chemical Co., Ltd., the shares of which company are listed in China. Mr. Li obtained both his Bachelor's and Master's Degrees in Mechanical Manufacturing Engineering from the Beijing University of Aeronautics and Astronautics, China in 1987 and 1990 respectively and joined China Resources Holdings Group in 1990.

Mr. Du Wenmin, aged 45, was appointed as a Non-executive Director of the Company with effect from 21 March 2008. Mr. Du is the President of the Internal Audit Department of China Resources Holdings. Mr. Du is also a Non-executive Director of China Resources Enterprise, Limited, China Resources Land Limited and CRM. Shares of the above three immediately mentioned companies are listed on the Main Board of the Stock Exchange. Mr. Du received a Master of Business Administration Degree from the University of San Francisco, USA and joined China Resources Holdings Group in 1985.

Independent non-executive Directors:

Mr. Wong Tak Shing, aged 57, was appointed as an Independent Non-executive Director of the Company in 1998. He is the Chairman of the Company's Remuneration Committee. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1984 and has been in private practice in Hong Kong for over 20 years. From 1984 to 1987, he worked as an assistant solicitor with two local law firms in Hong Kong before setting up his own practice in 1987. He was appointed as a China-Appointed Attesting Officer with effect from 18 January 2003. Mr. Wong holds a Master's Degree in Laws from the Peking University.

Mr. Luk Chi Cheong, aged 52, was appointed as an Independent Non-executive Director of the Company on 31 January 2002. He is the Chairman of the Company's audit committee. He is a practicing Certified Public Accountant in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. He has been in accounting practice since 1995 and prior to that he has over 10 years of diversified experience in audit, construction and airline industry.

Dr. Yang Chonghe, Howard, aged 50, was appointed as an Independent Non-executive Director of the Company with effect from 22 August 2006. He is the Chairman of the Company's nomination committee. He worked at National Semiconductor Corp., Chips and Technology Inc. and Pericom Semiconductor Corp. in Silicon Valley before his return to China. In 1997, he co-founded Newave Semiconductor Corp. ("Newave"), and later successfully merged Newave with Integrated Device Technology Inc., which ranked China's top ten mergers in 2001. He is currently the Chairman and Chief Executive Officer of Montage Technology Group Limited ("Montage"). Prior to co-founding Montage, he was Vice President of Integrated Device Technology Inc. He received the prestigious Institute of Electrical and Electronics Engineers (IEEE) Circuits and System (CAS) Industrial Pioneer Award in 2002 for his pioneering contribution in China's integrated circuit design industry. Dr. Yang received his Doctor of Philosophy Degree in Electrical Engineering from the Oregon State University, USA.

(c) **Names and addresses of the Senior Management of Redland Concrete**

Name	**Correspondence address**
Deputy General Manager:	
Mr. Lo Kai Seung Frank	c/o Redland Concrete Limited 8/F., Kaiseng Commercial Centre, 4-6 Hankow Road, TST, Kowloon, Hong Kong
Financial Controller:	
Mr. Wong Kwong Ning	c/o Redland Concrete Limited 8/F., Kaiseng Commercial Centre, 4-6 Hankow Road, TST, Kowloon, Hong Kong

(d) **Qualifications of the Senior Management of Redland Concrete**

Deputy General Manager:

Mr. Lo Kai Seung Frank, aged 52, joined Redland Concrete in August 1992, was appointed as the General Manager of Redland Concrete's subsidiaries, Redland Mortars Limited in charge of the research and development, sales and overall operations of Mortars and Shotcrete products. He was then appointed as the Deputy General Manager of Redland Concrete in December 2002. Mr. Lo has devoted himself in the concrete industry since 1980. He has extensive experience in concrete business and expert technical knowledge. Since 2004, he has been voted as the Chairman of The Concrete Producers Association of Hong Kong Limited.

Financial Controller:

Mr. Wong Kwong Ning, aged 45, was appointed as Financial Controller of Redland Concrete in January 2006 in charge of the financial operations of Redland Concrete and its subsidiaries. He joined China Resources Holdings since 1998 and had worked in Teck Soon Hong Limited and Redland Precast Concrete Products Limited. Mr. Wong obtained a Bachelor's Degree in Actuarial Science from the University of Calgary in Canada, and also obtained a Bachelor's Degree of Law from the Qinghua University in the PRC.

17. PARTICULARS OF THE PROPOSED DIRECTORS AND SENIOR MANAGEMENT TO BE APPOINTED

(a) Names and addresses of the Proposed Directors to be appointed

Name	**Correspondence address**
Chairman and Non-executive Director:	
Mr. Ma Guoan	c/o China Resources (Holdings) Company Limited 49/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Managing Director and Executive Director:	
Mr. Wang Chuandong	c/o China Resources Gas (Holdings) Limited Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Non-executive Director:	
Mr. Wei Bin	c/o China Resources (Holdings) Company Limited 47/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

(b) Qualifications of the Proposed Directors to be appointed

Chairman and Non-executive Director:

Mr. Ma Guoan, aged 57, is proposed to be appointed as Chairman and Non-executive Director of the Company. Mr. Ma joined China Resources Holdings, the immediate holding company of the Company in March 2008. He is currently a Director of China Resources Holdings and concurrently Chairman of China Resources Gas (Holdings) Limited. Before joining China Resources Holdings, he was in charge of General Office of China State Economic and Trade Commission and once served as the Vice General Secretary of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). He holds a post-graduate degree majoring in Economic Management.

Managing Director and Executive Director:

Mr. Wang Chuandong, aged 44, is proposed to be appointed as an Executive Director and Managing Director of the Company. He was appointed as a Director and the General Manager of China Resources Gas (Holdings) Limited, a wholly owned subsidiary of China Resources Holdings with effect from March 2007. Mr. Wang joined China Resources Petrochems (Group) Company Limited in 1985 and was previously the Deputy Managing Director and the Managing Director of China Resources Petroleum Company Limited. He has over 23 years of corporate management experience in the area of petroleum and related products trading and distribution and holds a Bachelor's Degree in Science majoring in Petroleum Refining from the East China Petroleum Institute (presently known as the University of Petroleum (East China)).

Non-executive Director:

Mr. Wei Bin, aged 39, is proposed to be appointed as Non-executive Director of the Company. He is the General Manager of Finance Department of China Resources Holdings. Mr. Wei has a Bachelor's Degree in Auditing and a Master's Degree in Finance and is a Senior Accountant and a Senior Auditor in the PRC. Mr. Wei is also a non-practising member of The Chinese Institute of Certified Public Accountants and joined China Resources Group in 2001. Mr. Wei was previously a Director of Shanghai Worldbest Co., Ltd., Shanghai Worldbest Industry Development Co., Ltd., both of which are companies whose shares are currently listed on the Shanghai Stock Exchange; and Shandong Dong-E E-Jiao Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange in the PRC.

(c) **Names and addresses of the proposed senior management to be appointed**

Name	Correspondence address
Mr. Zheng Xifeng	c/o China Resources Gas (Holdings) Limited Room 1904-1905, 19/F., Office Tower, China Resources Building, No. 5001 Shennan East Road, Shenzhen, Guangdong, China (Postcode: 518001)
Mr. Wang Yan	c/o China Resources Gas (Holdings) Limited Room 1901-1905, 19/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

Mr Huang Weizhong	c/o China Resources Gas (Holdings) Limited Room 1904-1905, 19/F., Office Tower, China Resources Building, No. 5001 Shennan East Road, Shenzhen, Guangdong, China (Postcode: 518001)
Mr. Shi Baofeng	c/o China Resources Gas (Holdings) Limited Room 1904-1905, 19/F., Office Tower, China Resources Building, No. 5001 Shennan East Road, Shenzhen, Guangdong, China (Postcode: 518001)
Mr. Ge Bin	c/o Wuxi China Resources Gas Co., Ltd. No. 800 East Jiefang Road, Wuxi, Jiangsu, China (Postcode: 214002)
Mr. Zhu Likun	c/o Suzhou China Resources Gas Co., Ltd. No. 126 Jinshan Road, Suzhou, Jiangsu, China (Postcode: 215011)
Mr. Peng Junfu	c/o Chengdu City Gas Co., Ltd. No.19 Shaoling Street, Chengdu, Sichuan Province, China (Postcode: 610041)

(d) **Qualifications of the proposed senior management to be appointed**

Mr. Zheng Xifeng, aged 50, was appointed as a Deputy General Manager of China Resources Gas (Holdings) Limited in September 2007, responsible for the human resources management of China Resources Gas (Holdings) Limited. Mr. Zheng holds a Bachelor's Degree in Law from the School of Law of Xiamen University, a Master of Business Administration Degree from the University of San Francisco in the United States, and the qualification as Senior International Business Engineer. He joined China Resources Holdings Group in August 1985 and has been working for China Resources Gas (Holdings) Limited since September 2007. He was appointed as a director of CR Gas in September 2008.

Mr. Wang Yan, aged 36, was appointed as a Deputy General Manager of China Resources Gas (Holdings) Limited in September 2007, responsible for the finance and internal auditing operations of China Resources Gas (Holdings) Limited. Mr. Wang holds a Bachelor's Degree in Economics from the Finance and Accounting Department, Capital University of Economics and Business, a Master of Business Administration Degree from the University of South Australia and is a qualified PRC Certified Accountant. He joined China Resources Holdings Group in July 1994 and has been working for China Resources Gas (Holdings) Limited since September 2007. He was appointed as a director of CR Gas in November 2005.

Mr. Huang Weizhong, aged 42, was appointed as a Deputy General Manager of China Resources Gas (Holdings) Limited in September 2007, responsible for the investment, strategic management and PRC legal affairs of China Resources Gas (Holdings) Limited. Mr. Huang holds a Master's Degree majoring in International Finance from the Fudan University and licenses to practice as a lawyer and an engineer. He joined China Resources Holdings Group in March 2000 and has been working for China Resources Gas (Holdings) Limited since March 2007. He was appointed as a director of CR Gas in November 2005.

Mr. Ge Bin, aged 44, was appointed as an Assistant General Manager of China Resources Gas（Holdings）Limited in September 2007, and concurrently held the positions as a director and the General Manager of Wuxi China Resources Gas Co., Ltd. Mr. Ge graduated from the Shanghai Institute of Finance and Commerce Management (currently known as Shanghai Business School), presently pursuing a Master's Degree majoring in Gas Engineering and Control System, Nanjing University of Technology, and holds a senior economist qualification. He joined China Resources Holdings Group in September 1996 and has been working for China Resources Gas（Holdings）Limited since September 2007. He was appointed as a director of CR Gas in September 2008.

Mr. Shi Baofeng, aged 36, was appointed as the Operations Director of China Resources Gas (Holdings) Limited in September 2007, responsible for the operation management of members of China Resources Gas (Holdings) Limited. Mr. Shi holds a Master of Business Administration Degree from the Southwest Jiaotong University and a Senior Engineer qualification. He joined China Resources Holdings Group in 2006 and China Resources Gas (Holdings) Limited in March 2007. He was appointed as a director of CR Gas in September 2008.

Mr. Zhu Likun, aged 42, was appointed as a director and the General Manager of Suzhou China Resources Gas Company Limited, a subsidiary of China Resources Gas (Holdings) Limited, in August 2003, responsible for its general operation and management. Mr. Zhu holds a Bachelor's Degree majoring in Automation in Petro-chemical Industry from the Nanjing University of Chemical Technology, a Master's Degree majoring in International Economics from the Soochow University, and a Senior Engineer qualification. He joined China Resources Holdings Group in August 2003.

Mr. Peng Junfu, aged 52, was appointed as a director and the General Manager of Chengdu City Gas Co., Ltd., a member of China Resources Gas (Holdings) Limited, in March 2005. Mr. Peng graduated from the Sichuan Radio TV University majoring in Industrial Statistics and the Economic and Management Department, Party School of The Central Committee of Sichuan Province and holds the certificate of completion for the post graduate class on Business Administration from the Sichuan University. He also holds a Senior Economist qualification. He currently holds the positions as Member of Chengdu CPPCC Committee, Standing Director of China Gas Association, Standing Vice Chairman of Sichuan Gas Association, and Member of the Appraisal Board of Economic Profession of Chengdu Province.

Save as disclosed above, none of the Proposed Directors and proposed senior management to be appointed has held any directorship in other listed public companies in the last three years and has not held any other position with the Company or its subsidiaries. Save as disclosed above, none of the Proposed Directors and proposed senior management to be appointed is and was connected with any directors, senior management or substantial or controlling shareholders of the Company.

18. MISCELLANEOUS

(a) On 4 December 2007, CR Logic, together with its listed subsidiary CSMC Technologies Corporation (now known as China Resources Microelectronics Limited), announced a restructuring proposal which resulted in the amalgamation of both companies' semiconductor businesses under CRM. The amalgamated group will have a broad spread of interests within the sector from its own IC design to open foundry operations for the group and outside customers. This is expected to provide for a greater stability of earnings and greater financial resources to fund expansion. The amalgamated group will also have greater flexibility in deploying its existing resources and discretionary cashflows.

Simultaneous to the disposal of the semiconductor business, the Group acquired from a subsidiary of China Resources Holdings the entire issued voting share capital of Redland Concrete for a cash consideration of approximately HK$217.7 million.

Pursuant to an ordinary resolution passed at a special general meeting held on 13 February 2008, the Company distributed all of its shares in its then subsidiary, CRM, by way of a dividend in specie on the basis of 180 shares in CRM for every 100 shares in the Company held. A total of 5,091,900,165 shares in CRM representing shareholders' equity of HK$2,731,463,000 were distributed to the shareholders of the Company on 5 March 2008.

As part of the restructuring, the share capital of the Company was reduced from HK$600,000,000 divided into 6,000,000,000 shares of HK$0.10 each to HK$60,000,000 divided into 6,000,000,000 shares of HK$0.01 each on 3 March 2008.

The share capital of the Company was consolidated on the basis of every ten shares in the issued and unissued share capital respectively of the Company of HK$0.01 each for one share of HK$0.10 on 7 March 2008 and with immediate effect following the share consolidation, the authorised share capital of the Company was increased from HK$60,000,000 to HK$1,000,000,000 by creation of an addition 9,400,000,000 new shares of HK$0.10 each.

After the Group restructuring, the authorised share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each, of which 282,883,342 shares had been issued and fully paid.

(b) The Enlarged Group is exposed to exchange rate risk. The reporting currency of the Enlarged Group is the Hong Kong dollar. All of the CR Gas Group's net operating revenues have been denominated in Renminbi, which is not freely transferable into other foreign currencies. All foreign currency exchange transactions in the PRC must be effected through either the People's Bank of China, or PBOC, or other institutions authorised by the PBOC to buy and sell foreign currencies. Approval of all foreign currency payments, including remittances of dividends, by the PBOC or other institutions, requires submitting a payment application together with relevant supporting documents.

As the CR Gas Group's functional currency is the Renminbi, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the Renminbi against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the Renminbi against these foreign currencies may result in significant exchange loss to be recorded in the Enlarged Group's income statement. Although the CR Gas Group may enter into hedging transactions in the future to hedge against this exposure, the CR Gas Group has not to date entered into any hedging transactions to reduce its exposure to currency exchange risk.

(c) The CR Gas Group is exposed to interest rate risk. The interest rate of the CR Gas Group's total indebtedness is based on rates set by the People's Bank of China plus the applicable margin. As of 30 June 2008, the total indebtedness of the CR Gas Group was approximately HK$209.3 million. CR Gas group's interest rate risk is not currently hedged. The Group and the CR Gas Group may, however, hedge its interest rate exposure in the future.

(d) The company secretary of the Company is Mr LEE Yip Wah, Peter, who is a practising solicitor in Hong Kong, a consultant of Messrs. Woo Kwan Lee & Lo, Solicitors and Notaries, and a China Appointed Attesting Officer.

(e) The qualified accountant of CR Logic appointed pursuant to Rule 3.24 of the Listing Rules is Mr. ONG Thiam Kin, who is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and members of the national accounting bodies of Singapore and Malaysia.

(f) Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of the Company, is located at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(g) The registered office of CR Logic is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business in Hong Kong of CR Logic is situated at Room 4006, 40th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(h) The English text of this Prospectus shall prevail over its Chinese text.

19. MATERIAL CONTRACTS

The following are the material contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, which have been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) an agreement for the sale and purchase of China Resources Cooling Technology Co. Ltd. dated 21 June 2007 and entered into between CRT (BVI) Limited, Gradison Limited and CR Logic;

(b) an agreement for the sale and purchase of the semiconductor business of CR Logic dated 4 December 2007 and entered into among CR Logic, China Resources Microelectronics (Holdings) Limited, China Resources Semiconductor (International) Limited and CSMC Technologies Corporation (presently known as CRM);

(c) an agreement for the sale and purchase of Redland Concrete dated 4 December 2007 and entered into between China Resources Concrete Limited and CR Logic;

(d) the Share Purchase agreement; and

(e) the Underwriting Agreement.

Save as disclosed above, none of the members of the Enlarged Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this Prospectus that are or may be material.

20. EXPENSES

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK$8.5 million and will be payable by the Group.

21. DOCUMENTS REGISTERED WITH THE REGISTRARS OF COMPANIES

A copy of each of the Rights Issue Documents and the written consent given by Deloitte Touche Tohmatsu as referred to in this appendix, have been registered with the Registrar of Companies in Hong Kong. A copy of the Prospectus has been or will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda.

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Slaughter and May at 47th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this Prospectus until 22 October 2008 (both dates inclusive):

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2007 and the interim report of the Company for the six months ended 30 June 2008;

(c) the report from Deloitte Touche Tohmatsu on the unaudited proforma statement of consolidated net tangible assets of the Group as set out in Appendix II of this Prospectus;

(d) the written consent referred to in the section headed "Expert and consent" of this Appendix;

(e) the material contracts referred to in the section headed "Material Contracts" in this Appendix (including the Share Purchase Agreement and the Underwriting Agreement);

(f) circular dated 16 January 2008 issued jointly by the Company and CSMC Technologies Corporation (now known as China Resources Microelectronics Limited); and

(g) the Circular dated 19 September 2008 regarding, inter alia, the Acquisition and the Rights Issue.