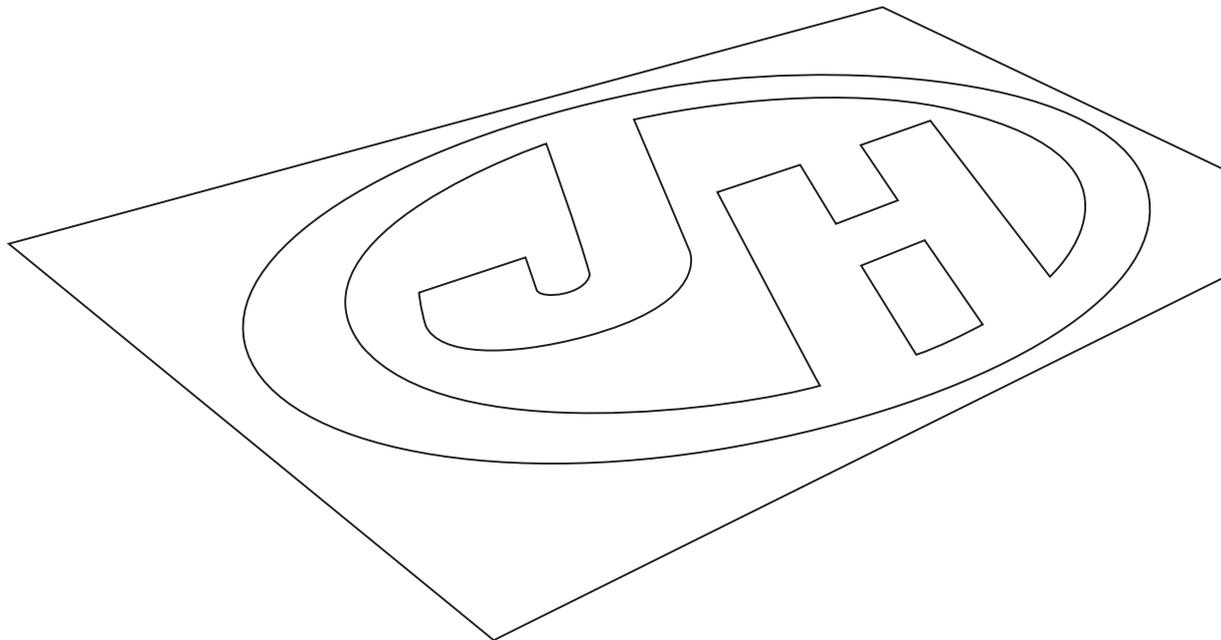


Part A 

Key Features of the Scheme



FEATURES OF THE SCHEME

This Section is a summary only. Shareholders should read the entire document before making a decision on how to vote.

Why is James Hardie restructuring?

James Hardie is a world-leading fibre cement company. The continued growth of James Hardie's fibre cement operations is expected to be primarily outside of Australia, while the majority of its Shareholders are resident within Australia.

The Proposal completes the work commenced in 1998 when James Hardie's Shareholders approved a wider corporate restructuring proposal.

Unlike most Australian companies, James Hardie earns the majority of its income offshore. This is expected to continue, given the strong growth potential that exists for the Group's fibre cement business in the United States and in other countries around the world.

From this financial year, income will need to be repatriated to Australia to pay dividends. When this occurs, James Hardie will incur high rates of foreign tax which will impact profits, and Shareholders will not benefit from this tax paid overseas.

The Proposal is designed to position James Hardie for growth, providing improved returns to Shareholders and improved financial efficiencies within the Group. The Proposal also provides an enhanced investment structure for Australian and international investors whilst retaining a primary listing on the ASX.

As a result of this Proposal, it is expected that all Shareholders will be better placed to realise value from the future growth of James Hardie internationally.

For example, on a pro forma basis assuming the same levels of earnings and dividends as in the year to 31 March 2001, the restructuring will result in an increase in future after-tax profits of approximately A\$30 million a year compared to maintaining James Hardie's current structure (see Sections 3.2(a) and 3.2(b) of Part B of this Information Memorandum). This will increase the amount of cash that will be available to James Hardie which could be reinvested in its business or returned to Shareholders.

The Proposal at a glance

- > James Hardie Industries N.V. (JHI NV), which is to be the new holding company for the James Hardie Group, is incorporated and domiciled in The Netherlands.
- > Shareholders will exchange their shares in James Hardie Industries Limited (JHIL), on a 1 for 1 basis, for interests in shares in the new parent company, JHI NV.
- > JHI NV will seek a primary listing of its shares on the Australian Stock Exchange (ASX). No assurance can be given that ASX approval will be granted; however, the Company has no reason to believe that this will not be forthcoming.
- > Instead of ordinary shares, Shareholders will receive CHESS Units of Foreign Securities (or CUFS) representing JHI NV Shares, to allow trading and clearing on the ASX. CUFS are a common form of security used for trading shares of a company domiciled in a foreign country and listed on the ASX.

- > The Proposal will be implemented by means of a Scheme of Arrangement (the Scheme) under the Australian Corporations Act 2001. The Scheme will require the approval of Shareholders and the New South Wales Supreme Court (the Court).
- > Shareholder approval will be sought at a Court convened Scheme Meeting that will be held in Sydney on Friday, 28 September 2001.
- > If the Scheme is approved by Shareholders, the Court will be asked to approve the Scheme. It is anticipated that the Court hearing to approve the Scheme will take place on or about Tuesday, 2 October 2001.
- > JHI NV will seek a secondary listing of American Depositary Receipts (ADRs) on the New York Stock Exchange (NYSE). No assurance can be given that NYSE approval will be granted; however, the Company has no reason to believe that this will not be forthcoming.
- > Current holders of JHIL ADRs, which trade 'over the counter' in the United States, will exchange those ADRs for listed JHI NV ADRs upon surrender of their JHIL ADRs.
- > The listing of JHI NV ADRs will not involve an initial public offering (IPO) or any other form of capital raising.
- > If all approvals are received and the Scheme becomes effective, interests in shares in JHI NV should commence trading on the ASX and NYSE approximately two to three weeks after the Scheme Meeting.
- > JHIL Shareholders and JHIL ADR Holders whose addresses are recorded in the JHIL Register or JHIL ADR Register respectively as outside Australia, New Zealand, the United States and the United Kingdom (or, in the case of corporate entities, whose name, as shown in either such register, indicates that they are incorporated in The Netherlands) will not receive JHI NV CUFS or JHI NV ADRs (as the case may be) under the Scheme, but will instead receive the cash proceeds from the sale of their entitlements, unless JHI NV is satisfied, before the Implementation Date (without being obliged to conduct any investigations into the matter), that they can lawfully be issued JHI NV CUFS or JHI NV ADRs pursuant to the Scheme. In the case of JHIL ADR Holders, any such cash proceeds will be delivered upon surrender of their JHIL ADRs to the Depository.

What are the potential advantages of the Proposal?

Your Directors believe that implementation of the Proposal has several key advantages for Shareholders, which significantly outweigh the potential disadvantages. These include:

- > Generating higher after-tax returns from James Hardie's international growth, thereby:
 - > providing more funds available for investment in James Hardie's high-growth fibre cement business
 - > providing more funds available for dividends or other forms of returns to Shareholders
- > Improving access to international capital markets and providing greater flexibility in how James Hardie finances its future growth

- > Making James Hardie more attractive to investors in both Australia and overseas
- > Ensuring that James Hardie remains a prominent, Australian-listed publicly owned company as it continues to grow internationally

Section 3.2 of Part B of this Information Memorandum explains each of these potential advantages in more detail.

The table below shows the before and after impact of the Proposal on a pro forma basis.

	US GAAP Normalised A\$m	Earnings per share
Before Proposal:		
Normalised NPAT	79.2	19.3¢
After Proposal:		
add: withholding tax savings on internal dividends	13.2	
add: impact of Dutch finance company on tax expense	17.4	
less: after tax incremental costs of new structure	(0.7)	
Pro forma NPAT	109.1	26.6¢
EPS improvement		7.3¢

What are the potential disadvantages of the Proposal?

The potential disadvantages of the Proposal are:

- > Substitution of a foreign security for an Australian share.
- > Shareholders with pre-CGT holdings of JHIL Shares will receive post-CGT investments in JHI NV, with a fair market value cost base at the time JHI NV Shares are issued.
- > The regime governing takeovers of JHI NV will be contained in and enforceable through JHI NV's Articles of Association rather than statute. A discussion about the enforceability under Dutch law of this regime is set out in Section 3.3(d) of Part B of this Information Memorandum.
- > As JHI NV is established under Dutch law, any court proceedings against JHI NV or its officers in respect of Dutch law matters may have to be instituted in The Netherlands
- > Increased corporate and compliance costs of approximately A\$1 million per annum
- > Implementation costs of approximately A\$17 to \$19 million
- > Potential tax consequences for New Zealand resident Shareholders

Section 3.3 of Part B of this Information Memorandum explains each of these potential disadvantages in more detail.

There are also risks associated with the Proposal which are described at Section 3.4 of Part B of this Information Memorandum.

What changes as a result of the restructuring?

For most practical purposes, the restructuring involves very few changes.

- > The 'new' James Hardie will be as similar as possible to the 'old' James Hardie and will continue to be commonly known as James Hardie.
- > James Hardie's primary stock exchange listing will remain on the Australian Stock Exchange and it will remain subject to the ASX Listing Rules.
- > A secondary listing of (ADRs) on the (NYSE) will be sought.
- > James Hardie will retain its worldwide operational headquarters in the United States and its Australian 'corporate and regional management' office in Sydney. It will also establish a registered head office in The Netherlands that will perform the Group's treasury functions.
- > There will be no change to the identity of the Board or senior management as a result of the restructuring. In terms of the composition of the Board, JHI NV will have three Boards, the Managing Board (executive directors), Supervisory Board (non-executive directors) and Joint Board (selected from both).
- > James Hardie expects to have the same index weighting in the S&P/ASX100.
- > Shareholders will be issued CHESS Units of Foreign Securities (or CUFS) in JHI NV. JHI NV CUFS Holders will be beneficial owners of JHI NV Shares and as such able to exercise all rights attaching to those shares through the CHESS nominee (and legal holder of the shares), CHESS Depository Nominees Pty Limited.
- > Whilst there will be no direct right to vote CUFS, JHI NV CUFS Holders will be able to direct the CHESS nominee how to vote or to convert their holding into a direct shareholding and vote as a shareholder.
- > Shareholders will continue to be able to trade their JHI NV CUFS on the ASX in the same way as their existing JHIL Shares trade today.
- > No change in dividend policy is planned or envisaged. The directors will continue to determine the amount of the dividend every six months, having regard to the after-tax profits available and the reinvestment needs of the businesses.
- > There will be no change in ownership of the James Hardie Group or any effective change in the proportion of ownership among Shareholders (though certain intra-Group transfers will occur as part of the restructuring – see the principal restructuring steps outlined at Section 2.3 of Part B) of this Information Memorandum.
- > There will be no change to the assets and liabilities of the James Hardie Group or any change to the Group's attractive, long-term debt financing arrangements.
- > The principal changes will be that Shareholder meetings will occur in The Netherlands and the takeover regime to which JHI NV is subject will be contained in and enforceable, subject to limitations, by JHI NV under its

Articles of Association without the benefit of statutory takeover regimes. (See Section 3.3(c) and (d) of Part B and Appendix I, Section 3) of this Information Memorandum.

What do I have to do?

- > You should read the Information Memorandum and Notice of Meeting carefully.
- > You should exercise your right to vote. The benefits of the restructuring are only available if the Proposal proceeds.
- > In order for the restructuring to proceed, the Scheme must be approved by more than 50% of the number of Shareholders present and voting (either in person or by proxy) and by 75% of votes cast.
- > If either Shareholders or the Court do not approve the Scheme, the restructuring of James Hardie will not proceed.
- > The Board believes the Proposal is in the best interests of all Shareholders and therefore urges you to vote in favour of it.

How will this affect me as a Shareholder?

- > If the Scheme is approved by Shareholders at the Scheme Meeting to be held on Friday, 28 September 2001, and by the New South Wales Supreme Court, your existing JHIL Shares will be exchanged for CUFS in JHI NV on a 1 for 1 basis. This is expected to occur by mid-October 2001.
- > Because the Proposal does not involve the issue of new equity to persons other than existing Shareholders, on implementation of the Scheme you will have the same ownership interest in James Hardie as you have today.
- > Shareholders will continue to be able to trade their JHI NV CUFS on the ASX in the same way as their existing JHIL Shares trade today.
- > As a result of the financial efficiencies which will result from the restructuring, you will be in a better position to benefit from the international growth potential of James Hardie's fibre cement business.
- > Shareholders whose addresses are recorded as outside Australia, New Zealand, the United States and the United Kingdom will receive cash rather than JHI NV CUFS (see "The Proposal at a glance", above)

Why will I be issued CUFS?

- > CUFS are being issued instead of direct shareholdings in JHI NV to allow trading and clearing on the ASX. The use of CUFS also permits Shareholders to take advantage of scrip-for-scrip rollover relief.
- > CUFS are a form of security commonly used to allow trading on the ASX in ordinary shares of companies that are domiciled in foreign countries. The ASX has introduced CUFS in response to circumstances such as this, where the relevant foreign law does not recognise the paperless transfer of shares through CHESS.
- > For further detail you should read Appendix I of this Information Memorandum, which sets out the rights attaching to CUFS.

Do I have to pay capital gains tax?

- > Most Shareholders who are subject to Australian taxation will be eligible for capital gains tax scrip-for-scrip rollover relief such that no capital gains tax liability will be payable when the Scheme is implemented.
- > For those Australian Shareholders who acquired their James Hardie shares on or before 19 September 1985, you will have no capital gains tax to pay as a result of the transaction. However, your investment in JHI NV Shares may be subject to capital gains tax if you sell that investment in the future and will have a cost base equal to the market value of the investment in JHI NV Shares when issued under the Scheme.
- > For further details on the taxation consequences arising from the implementation of the Proposal, you should read Section 6 of Part B of this Information Memorandum and/or consult your financial adviser.

Will dividends still be paid?

- > No change in dividend policy is planned or envisaged as a result of the Proposal. The Directors will continue to determine the amount of the dividend every six months, having regard to the after-tax profits available and the reinvestment needs of the businesses.

Where will the AGM be held?

- > Dutch law requires all general meetings, including the annual general meeting (the AGM), to be held in The Netherlands.
- > An information meeting will be held in Australia prior to each general meeting, including prior to each AGM, if you are unable to attend the general meeting or AGM.
- > The information meeting prior to each general meeting (including each AGM) will be very similar to the general meeting (or AGM) itself, providing you with an opportunity to question management and the Board in a similar fashion to current general meetings (and AGMs) of JHIL.
- > Although no voting will take place at an information meeting, you will be able to lodge proxies for votes to be counted at the subsequent general meeting.
- > To ensure that your vote counts, all voting at general meetings will occur by written poll.

What do the Board of Directors recommend?

- > Your Directors unanimously recommend that you vote in favour of the resolution to approve the Scheme, as they intend to do in respect of their own shareholdings.

What does the Independent Expert say?

- > Grant Samuel was appointed by James Hardie to independently assess the merits of the Scheme for Shareholders. In its capacity as the Independent Expert, Grant Samuel has concluded that the Scheme is in the best interests of JHIL Shareholders.
- > A copy of the Independent Expert's report is set out at Appendix II.

When will I know the result?

- > The result of the Shareholder meeting to approve the Scheme will be available at the conclusion of that meeting and will be announced to the ASX shortly thereafter.

- > If the Scheme is approved by Shareholders at the meeting on Friday, 28 September, the New South Wales Supreme Court will be asked shortly after that meeting to make binding orders approving the Scheme.
- > The results will also be published on the James Hardie website **www.jameshardie.com**

In summary, what changes if the Proposal is implemented?

The following table summarises, in basic terms, some of the principal changes which will result from implementation of the Proposal.

Issue	Before	After
Shareholders		
Number of shares on issue ⁽¹⁾	no change	no change
Number of holders ⁽¹⁾	no change	no change
Identity of holders ⁽¹⁾	no change	no change
Proportion of ownership ⁽¹⁾	no change	no change
Voting rights ⁽²⁾	yes	yes
AGM ⁽³⁾	Australia	Netherlands
Information meeting ⁽³⁾	N/A	Australia
Disclosure policy	no change	no change
Shares		
Primary listing	ASX	ASX
Major trading exchange	ASX	ASX
Trading on ASX	no change	no change
Index weighting on ASX ⁽⁴⁾	100%	100%
Secondary listing	None	NYSE
American Depositary Receipts (ADRs)	yes–unlisted	yes–listed
Currency denomination of shares/ADRs	A\$/US\$	A\$/US\$
Dividend Policy		
Interim and full year dividends	no change	no change
Dividend policy	no change	no change
Dividends declared ⁽⁵⁾	A\$	US\$
Dividends paid	A\$/US\$	A\$/US\$
Reporting and Disclosure		
Primary accounting standard	A GAAP	US GAAP
Quarterly reporting	no change	no change
Reporting currency ⁽⁶⁾	A\$	US\$
P&L, balance sheet ⁽⁶⁾	A\$	US\$ and A\$

Explanatory Notes to Table

1. On implementation, the number and identity of JHI NV CUFS Holders will be substantially the same as the number and identity of JHIL Shareholders immediately prior to implementation. As at the date of this Information Memorandum there are 62,550 shares in JHI NV on issue. These are held by a JHIL subsidiary. On implementation of the Scheme, some 450,771,082 JHI NV Shares will be issued thereby diluting the James

Hardie interest in JHI NV to 0.014%. Shareholders, other than Prescribed Foreign Shareholders, will exchange their JHIL Shares for interests in JHI NV Shares, in the form of CUFS, on a one-for-one basis. Accordingly, the restructuring will not result in any material change in ownership or in the proportion of ownership of the James Hardie Group. Prescribed Foreign Shareholders (who in the aggregate hold less than 1% of issued capital) and Prescribed Foreign ADR Holders (if any) will receive cash in lieu of JHI NV CUFS or JHI NV ADRs due to the complexity and cost of investigating and/or complying with securities laws restrictions in numerous other jurisdictions.

2. JHI NV CUFS Holders will have the option of either instructing CDN, as legal owner of the JHI NV Shares, to vote the JHI NV Shares represented by their JHI NV CUFS in a particular manner or of converting their JHI NV CUFS into a holding of JHI NV Shares and voting these at the meeting. For further details, see Section 5.2(b) of Appendix I to this Information Memorandum.
3. Dutch law requires JHI NV's general meetings of Shareholders, including the AGM, to be held in The Netherlands. However, JHI NV will conduct an information meeting for Shareholders in Australia, prior to each general meeting (including prior to each AGM). The information meeting for the AGM will be very similar to the AGM in that Shareholders will be able to question the board and management and lodge votes on resolutions (by proxy) as they currently can. Proxy votes will be counted at the subsequent AGM.
4. No adverse index changes are expected as a result of the restructuring. See Section 3.4(h) of Part B of this Information Memorandum for further details.
5. The Directors will continue to determine the amount of the dividend every six months, having regard to the after-tax profits available and the reinvestment needs of the businesses.
6. US dollars will become the functional currency for the Group and its accounts will be reported quarterly in US dollars under US GAAP to the ASX, NYSE and the US Securities & Exchange Commission (SEC). As part of its quarterly results, James Hardie will also provide Australian dollar translations of its US GAAP results including the profit and loss statement and balance sheet. For more on this, see Section 4.10 in Part B of this Information Memorandum.

What if I still have questions or want more information?

- > You can call the James Hardie Information Line on weekdays between 8.00am and 6.00pm (Sydney time). Any calls to this line will be recorded for compliance purposes.
- > In Australia, you call 1800 55 45 25, toll free.
- > If you are calling from outside Australia, you should call (61 2) 9207 3625.

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- > You can also visit the James Hardie website at **www.jameshardie.com**
 - > Shareholders may obtain a copy of JHI NV's Articles of Association free of charge by contacting the James Hardie Information Line on the telephone numbers set out above.