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**華潤水泥控股有限公司**

**China Resources Cement Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## **ON-GOING CONNECTED TRANSACTION**

With the enhancement of marketing efforts since the completion of the Acquisition, the Redland Precast Group has secured several large scale infrastructure projects and there are several other projects under negotiations. The Redland Precast Group, in its normal course of business, purchases steel products from Strong Progress as raw material. The Transaction will constitute an on-going connected transaction of the Company under the Listing Rules.

A circular containing, among other things, a letter from an independent financial adviser with its views on the Transaction and details of the Transaction will be despatched to the shareholders of the Company within 21 days after the publication of this announcement.

## **BACKGROUND**

On 1 August, 2003, the directors of the Company announced that the Company's indirect wholly owned subsidiary, Redland Concrete Limited, entered into an agreement with Grand Max Investment Limited on 30 July, 2003 for the acquisition of its 50% shareholding interests in Redland Precast. Upon the completion of the Acquisition on 12 August, 2003, Redland Precast became an indirect wholly owned subsidiary of the Company.

After the Acquisition, the Group has absolute control over the expansion plan of the Redland Precast Group and also absolute flexibility as to the financial arrangements for the Redland Precast Group. In view of the increased business opportunities for precast concrete products in Hong Kong and the Chinese Mainland provided by new possible infrastructure projects arising as a result of the Closer Economic Partnership Arrangement between Hong Kong and the Chinese Mainland, the Redland Precast Group will have an ample opportunity to capitalize on this latest economic development as the directors of the Company consider Redland Precast as one of the market leaders in the production of precast concrete products in Hong Kong.

## **ON-GOING CONNECTED TRANSACTION**

The Redland Precast Group, in its normal course of business, purchases steel products from Strong Progress as raw material. Strong Progress is engaged in the distribution of steel products and is a wholly owned subsidiary of China Resources Holdings, which has approximately 74.5% equity interest in the Company. Accordingly, Strong Progress is a connected person of the Company and the Transaction will constitute an on-going connected transaction of the Company under the Listing Rules.

The purchase prices were negotiated on an arm's length basis between Strong Progress and the Redland Precast Group. The directors of the Company confirm that the prices and terms of the purchases from Strong Progress are comparable to the prevailing market prices and consider that the purchases are on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned. For each of the three years ended 31 December, 2002 and the six months ended 30 June, 2003, the aggregate consideration paid for purchases from Strong Progress amounted to approximately HK\$10.7 million, HK\$19.4 million, HK\$12.1 million and HK\$2.3 million respectively, representing approximately 1.9%, 3.6%, 1.9% and 0.7% of the total unaudited cost of sales of the pro forma Group.

With the enhancement of marketing efforts since the completion of the Acquisition, the Redland Precast Group has secured several large scale infrastructure projects and there are several other projects under negotiations. Since the completion of the Acquisition, the aggregate consideration paid for purchases from Strong Progress amounted to approximately HK\$850,000. The directors of the Company estimate that the purchases of steel products from Strong Progress from the date of completion of the Acquisition to 31 December, 2003 will be less than HK\$10 million.

The directors of the Company estimate that the annual purchases of steel products by the Redland Precast Group from Strong Progress will not be more than 10% of the Enlarged Group's total cost of sales for each of the years ending 31 December, 2004 and 2005. The purchase of steel products by the Redland Precast Group is estimated with reference to the demand of steel products for the projects on hand and under negotiations. The Enlarged Group's total cost of sales is estimated with reference to the cost of sales of the Group for the six months ended 30 June, 2003 and the expected cost of sales of the Redland Precast Group based on the projects on hand and under negotiations. With projects on hand and under negotiations, the expected sales of the Redland Precast Group for 2004 is approximately 2.1 times the sales for 2002. Because of the different specifications of structural strength, precast products for infrastructure projects will utilise more steel products than those for building

projects. As there are more infrastructure projects on hand and under negotiations in the coming years, the percentage increase in use of steel products will be relatively higher than the percentage increase in turnover.

## **WAIVER FROM THE STOCK EXCHANGE**

The purchase of steel products from Strong Progress constitutes a connected transaction under rule 14.26 of the Listing Rules. Application has been made by the Company to the Stock Exchange for a conditional waiver in respect of such connected transaction from strict compliance with the requirements for disclosure and shareholders' approval under rule 14.26 of the Listing Rules for a period of three financial years ending 31 December, 2005 subject to the conditions that:

- a. the Transaction is:
  - entered into by the Group in the ordinary and usual course of its business;
  - entered into on an arm's length basis and conducted either (i) on normal commercial terms, or (ii) where there is no available comparison, on terms no less favourable to the Group than those available to or from independent third parties; and
  - entered into either (i) in accordance with the terms of the agreements governing the Transaction or (ii) where there are no such agreements, on terms that are fair and reasonable so far as the shareholders of the Company are concerned.
- b. the relevant amount of the connected transaction for each of the financial year shall not exceed the cap as mentioned above;
- c. the on-going connected transaction and waiver limit are approved by the shareholders at an extraordinary general meeting;
- d. the independent non-executive directors shall review the Transaction annually and confirm in the Company's next annual report that this was conducted in the manner as stated above;
- e. the Company's auditors shall review the Transaction annually and confirm annually in a letter to the directors, a copy of which shall be provided to the Stock Exchange by the directors, stating whether:

- the Transaction has received the approval of the board of directors;
- the Transaction has been entered into in accordance with the terms and conditions of the agreement governing the Transaction or, when there is no such agreement, on terms no less favourable than terms available from independent third parties; and
- the cap amount has not been exceeded;

where for whatever reason, the auditors decline to accept the engagement or are unable to provide the letter, the directors of the Company shall contact the Stock Exchange immediately; and

- f. details of the Transaction in each financial year shall be disclosed as required under rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for that financial year.

If any material terms of the Transaction is altered or renewed or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions.

## **NATURE OF BUSINESS OF THE GROUP**

The Company is a listed company on the Stock Exchange and the business of the Group includes the production, distribution and sale of cement, concrete, mortars, shotcrete and precast concrete products in Hong Kong and the Chinese Mainland.

## **NATURE OF BUSINESS OF THE REDLAND PRECAST GROUP**

The Redland Precast Group is principally engaged in producing facades and balconies, precast concrete segments and glass fibre concrete segments in the Chinese Mainland and its main customers are civil engineering and building concerns, including the Government of the Hong Kong Special Administrative Region, quasi government organizations, property developers and construction contractors in Hong Kong.

## **BENEFITS OF THE TRANSACTION**

The directors of the Company consider the purchase of steel products from Strong Progress by the Redland Precast Group to be in the best interests of the Group as the quality and pricing of steel products provided by Strong Progress are on comparable or better terms to those available in the prevailing market.

## **GENERAL**

A circular containing, among other things, a letter from an independent financial adviser with its views on the Transaction and details of the Transaction will be despatched to the shareholders of the Company within 21 days after the publication of this announcement. The Company has appointed Somerley Limited as the independent financial adviser.

China Resources Holdings and its associates are required to abstain from voting in respect of the approval of the Transaction in the extraordinary general meeting to be held.

## **DEFINITIONS**

Acquisition	the acquisition of the Redland Precast Group by the Group in August 2003
China Resources Holdings	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholders of the Company
Company	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange
Enlarged Group	the Group and the Redland Precast Group
Group	the Company and its subsidiaries
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange

Redland Precast	Redland Precast Concrete Products Limited, a company incorporated in Hong Kong with limited liability
Redland Precast Group	Redland Precast and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strong Progress	Strong Progress Limited, a subsidiary of China Resources Holdings
Transaction	Purchase of steel products from Strong Progress by Redland Precast Group after the completion of Acquisition

By order of the Board  
**China Resources Cement Holdings Limited**  
**Shi Shanbo**  
*Director*

Hong Kong, 6 October, 2003

Please also refer to the published version of this announcement in The Standard.