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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)*

**(Stock Code: 712)**

**CONNECTED TRANSACTION**

**Financial adviser to**  
**China Resources Cement Holdings Limited**

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

The directors of China Resources Cement Holdings Limited announced that Dongguan Cement, the Company's indirect non-wholly owned subsidiary, entered into an acquisition agreement with UBE Machinery, a wholly owned subsidiary of UBE Industries, on 12 April 2004 for the acquisition of a slag vertical mill to be constructed by UBE Machinery, at the consideration of approximately US\$2.7 million, equivalent to approximately HK\$20.7 million.

As UBE Industries is a substantial shareholder of Dongguan Cement, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

As each of the relevant percentage ratios is less than 2.5%, the connected transaction is only subject to the reporting and announcement requirements in accordance with rules 14A.45 and 14A.47 and is exempt from the independent shareholders' approval requirement under the Listing Rules.

**THE ACQUISITION AGREEMENT DATED 12 APRIL 2004**

**Seller:** UBE Machinery

**Buyer:** Dongguan Cement

Assets to be acquired:	A slag vertical mill to process clinker into cement or granulated blast furnace slag into slag powder with an annual production capacity of 500,000 tonnes to be constructed by UBE Machinery. It is expected that the construction of the slag vertical mill will be completed in around January 2005.
Consideration:	Approximately US\$2.7 million, equivalent to approximately HK\$20.7 million.
Payment arrangement:	A cash deposit amounting to 10% of the consideration is payable within 15 days of the date of signing the Acquisition Agreement and the remaining 90% shall be paid by irrecoverable letter of credit at sight on or before 15 October 2004, two months before the scheduled date of the first shipment and will be drawn down by UBE Machinery only after the actual delivery of goods. The consideration will be funded by internal resources of the company.

## **REASONS FOR THE ACQUISITION**

As stated in the prospectus issued by the Company on 26 June 2003, the Group had plans to expand its cement production capacity at its production site in Dongguan by the construction of a new production line in order to increase the annual production capacity from approximately 1,000,000 tonnes to approximately 1,500,000 tonnes of cement per year should the Group's clinker production capacity at its manufacturing base in Guangxi be increased. With the new clinker production line at the Group's manufacturing base in Guangxi being put into commercial operations in October 2003, the Group is determined to expand its production capacity by the construction of this 500,000 tonnes per year grinding plant at its production site in Dongguan. As reported in the Company's annual report for 2003, the government of Dongguan had issued closure orders to all cement plants in Dongguan and these cement plants should be closed by 2005 except that our cement production plant will continue to be permitted to operate due to our advanced technology, strict quality control and high emission standards. The closure of these cement plants will release certain production capacity and room for our expansion. Our application for the establishment of an additional slag powder production line in Dongguan was approved by the government in March 2004 and it is the intention of the Company to proceed with the expansion plan as soon as possible.

The consideration for the Acquisition was made with reference to the tender prices offered by three companies which submitted tender proposals for the construction of this slag vertical mill, among which UBE Machinery is one of them. The final consideration was arrived at after further arms' length negotiations between Dongguan Cement and UBE Machinery.

The directors of the Company, including the independent non-executive directors of the Company, consider that the Acquisition Agreement was entered into in the ordinary course of business and on normal commercial terms which are fair and reasonable as far as shareholders of the Company are concerned.

## **INFORMATION ABOUT UBE MACHINERY**

UBE Machinery, which is a wholly owned subsidiary of UBE Industries, is engaged in the business of manufacturing of machineries and equipment. In 1999, the company was awarded ISO 14001 certification.

## **INFORMATION ABOUT THE COMPANY**

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

## **GENERAL**

As UBE Industries is a substantial shareholder of Dongguan Cement, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. Based on the consideration for the Acquisition of approximately US\$2.7 million, equivalent to approximately HK\$20.7 million, and the market capitalisation of the Company of approximately HK\$956.0 million calculated based on the average closing price of HK\$2.635 per share for the five trading days up to and including 8 April 2004, each of the relevant percentage ratios is less than 2.5%. Accordingly, the connected transaction is only subject to the reporting and announcement requirement in accordance with rule 14A.45 and 14A.47 and is exempt from the independent shareholders' approval requirement.

The board of directors of the Company comprises twelve directors, of which six are executive directors, namely Mr. Qiao Shibo, Mr. Shi Shanbo, Ms. Zhou Junqing, Mr. Zhou Longshan, Ms. Sun Mingquan and Mr. Zheng Yi, three are non-executive directors, namely Mr. Ning

Gaoning, Mr. Jiang Wei and Mr. Keung Chi Wang, Ralph, and three are independent non-executive directors, namely Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis.

## **DEFINITIONS**

“Acquisition”	The acquisition of a slag vertical mill to be constructed by UBE Machinery as provided under the Acquisition Agreement
“Acquisition Agreement”	An acquisition agreement dated 12 April 2004 entered between Dongguan Cement and UBE Machinery as referred to in this announcement
“Company”	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange
“Chinese Mainland”	The People’s Republic of China excluding Hong Kong
“Dongguan Cement”	Dongguan Huarun Cement Manufactory Co., Ltd., a sino foreign joint venture established in the Chinese Mainland which is beneficially held as to 75% interest by the Company through Clear Bright Investments Limited, an indirect wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UBE Industries”	UBE Industries, Ltd., a company incorporated in Japan which holds 12.5% of the registered capital of Dongguan Cement

“UBE Machinery”            UBE Machinery Corporation, Ltd., a company incorporated in Japan which is a wholly owned subsidiary of UBE Industries

“US\$” or “US dollars”    United States dollars, the lawful currency of the United States of America

Unless otherwise specified in this announcement, amounts denominated in US dollars have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of HK\$7.80 = US\$1.00. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been or may be converted at the above rate or any other rates.

By order of the board of directors  
**China Resources Cement Holdings Limited**  
**Lee Yip Wah, Peter**  
*Secretary*

Hong Kong, 16 April 2004

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