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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

**ACQUISITION OF APPROXIMATELY 67.86% EQUITY
INTEREST AND
UNDERTAKING TO ACQUIRE FURTHER APPROXIMATELY
5.97% EQUITY INTEREST IN GUANGXI HONGSHUIHE
CEMENT**

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

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

The directors of China Resources Cement Holdings Limited announced that CR Cement, the Company's wholly owned subsidiary, entered into an Acquisition Agreement with the Vendor on 27 September 2004 for the acquisition of approximately 67.86% equity interest in Guangxi Hongshuihe Cement. In addition, the Company has undertaken to the Vendor under the Acquisition Agreement to acquire further approximately 5.97% equity interest in Guangxi Hongshuihe Cement.

As the applicable ratios exceed 5% but are below 25% and the Vendor owns 67.86% equity interest in the substantial shareholder of Guangxi CR Cement, the transactions contemplated under the Acquisition Agreement constitute a discloseable and connected transaction of the Company under the Listing Rules.

The Acquisition Agreement is conditional upon the approval of the shareholders of the Company and the Acquisition is conditional upon the approval of the shareholders of Guangxi Hongshuihe Cement. Written approval of the Acquisition Agreement has been obtained from China Resources Holdings. An application will be made by the Company to the Stock Exchange for a waiver from strict compliance with the Listing Rules regarding the holding of a physical shareholders' meeting for the approval of the Acquisition Agreement pursuant to rule 14A.43 of the Listing Rules.

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

THE ACQUISITION AGREEMENT DATED 27 SEPTEMBER 2004

Seller: The Vendor, its principal activities comprise the supervision and administration of state-owned assets in Nanning, including the holding of 67.86% equity interest in Guangxi Hongshuihe Cement.

Buyer: CR Cement, its principal activity is investment holding.

Assets to be acquired: 67.86% equity interest in Guangxi Hongshuihe Cement.

Undertaking: The seller has requested the buyer to acquire all the shares in Guangxi Hongshuihe Cement held by individual shareholders upon the completion of the Acquisition, representing approximately 5.97% equity interest in Guangxi Hongshuihe Cement. Accordingly, the buyer has undertaken to the seller that the buyer will purchase all the shares in Guangxi Hongshuihe Cement held by individual shareholders within two months after the completion of the Acquisition at the consideration of approximately RMB19.4 million (equivalent to approximately HK\$18.3 million). The individual shareholders comprise more than 2,000 individuals who are Independent Third Parties to the Company. The consideration represented the par value of the shares in Guangxi Hongshuihe Cement held by such individual shareholders.

As at the date of this announcement, there is no agreement between the Company and those individuals.

Consideration: CR Cement will assume certain liabilities of Guangxi Hongshuihe Cement in respect of employees retired by age from or laid off temporarily by Guangxi Hongshuihe Cement and will make certain payments as incurred by Guangxi Hongshuihe Cement, estimated in total to be approximately RMB61.9 million (equivalent to approximately HK\$58.4 million) which has not been provided for in the audited accounts of Guangxi Hongshuihe Cement as at 30 June 2004.

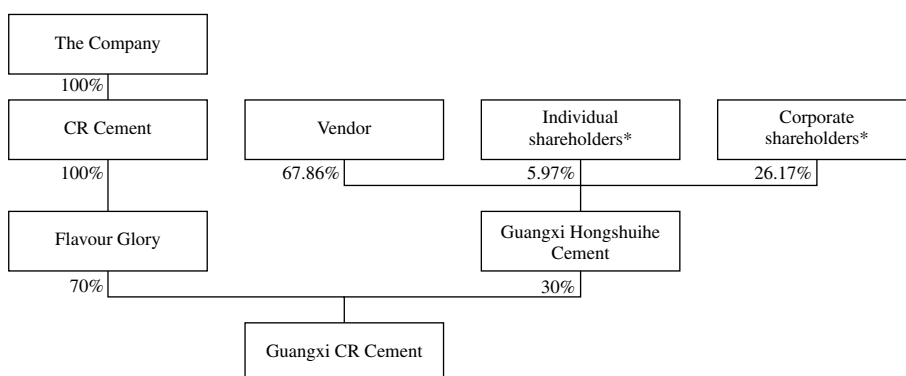
Conditions: The Acquisition Agreement is conditional upon the approval of the shareholders of the Company and the Acquisition is conditional upon the approval of the shareholders of Guangxi Hongshuihe Cement.

Long stop date: There is no long stop date in the Acquisition Agreement.

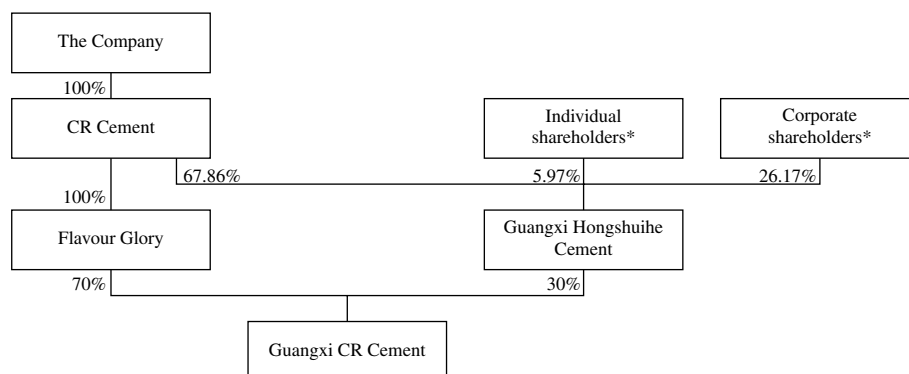
Completion: It is expected that the Acquisition will be completed on or before 31 December 2004. Guangxi Hongshuihe Cement will become a subsidiary of the Company upon the completion of the Acquisition.

THE STRUCTURE BEFORE THE ACQUISITION, AFTER THE ACQUISITION AND ASSUMED TO HAVE ACQUIRED THE SHARES IN GUANGXI HONGSHUIHE CEMENT PURSUANT TO THE UNDERTAKING

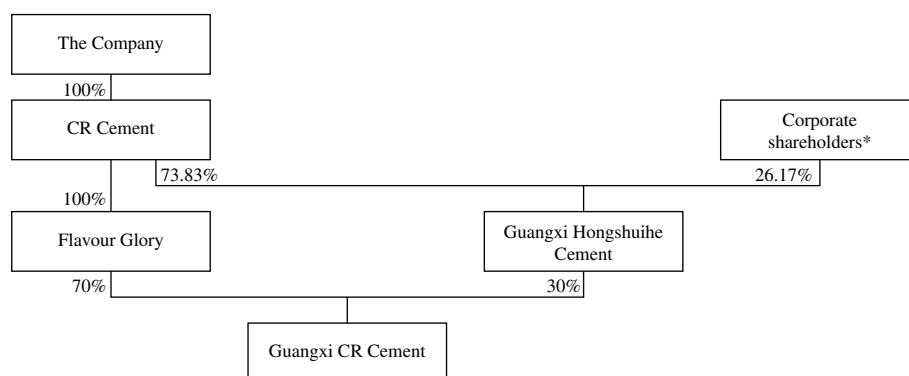
BEFORE THE ACQUISITION



AFTER THE ACQUISITION



AFTER THE ACQUISITION AND ASSUMED TO HAVE ACQUIRED THE SHARES IN GUANGXI HONGSHUIHE CEMENT PURSUANT TO THE UNDERTAKING



* *Independent Third Parties*

REASONS FOR THE ACQUISITION

As Guangxi Hongshuihe Cement owns 30% equity interest of Guangxi CR Cement, the Company will effectively acquire an additional interest of approximately 20.36% equity interest of Guangxi CR Cement through the Acquisition. Upon the completion of the Acquisition, the Company will hold an effective equity interest of approximately 90.36% of Guangxi CR Cement and the remaining approximately 9.64% is and will be held by a group of Independent Third Parties. The Acquisition will enable the Company to centralise the management and operation of Guangxi CR Cement and effectively integrate the operation of Guangxi CR Cement with other cement plants of the Group. The Acquisition will not only enable the Company to implement its development strategy through Guangxi CR Cement but also lead the restructuring of the cement industry in the Guangxi Zhuang Autonomous Region.

The consideration for the Acquisition was arrived at after arm's length negotiation and was determined with reference to the audited net asset value of Guangxi Hongshuihe Cement as at 30 June 2004, amounted to approximately RMB106.9 million (equivalent to approximately HK\$100.8 million), calculated in accordance with the PRC Accounting Standards, and the liabilities in respect of retirement benefits and welfares payable to employees formerly retired by age from or laid off temporarily by Guangxi Hongshuihe Cement and certain payments as incurred by Guangxi Hongshuihe Cement, estimated in total to be approximately RMB61.9 million (equivalent to approximately HK\$58.4 million), which has not been provided for in the audited accounts of Guangxi Hongshuihe Cement as at 30 June 2004. The respective original cost of investments devoted by the Vendor as at 27 September 2004 was approximately RMB220.2 million (equivalent to approximately HK\$207.7 million).

The executive directors of the Company consider that the Acquisition Agreement was entered into in the ordinary course of business and on normal commercial terms and the consideration is fair and reasonable as far as the shareholders of the Company are concerned and the Acquisition Agreement is in the interest of the Company and its shareholders as a whole.

The independent non-executive directors of the Company will provide their views on the Acquisition Agreement in the circular to be despatched to the shareholders of the Company upon review of the letter of recommendation to be provided by the independent financial adviser.

INFORMATION ABOUT GUANGXI HONGSHUIHE CEMENT

Guangxi Hongshuihe Cement is a joint stock company established in the PRC with a registered capital of RMB324.5 million (equivalent to approximately HK\$306.1 million). It is beneficially held as to approximately 67.86% by the Vendor and approximately 32.14% by a group of Independent Third Parties. It is principally engaged in investment holding of Guangxi CR Cement, cement manufacturing technical consultancy, trading and supply of materials. Guangxi CR Cement's cement plant is located at Li Tang Town, Bin Yang County, Guangxi Zhuang Autonomous Region. The cement plant currently consists of five wet process rotary kilns and one dry process rotary kiln for the production of clinker, and six grinding mills to process clinker into cement. It has an annual production capacity of approximately 2,100,000 tonnes of cement.

According to the audited financial statements of Guangxi Hongshuihe Cement prepared under the PRC Accounting Standards, the audited loss before taxation and minority interests and net loss after taxation and minority interests of Guangxi Hongshuihe Cement for the year ended

31 December 2003 were approximately RMB19.1 million (equivalent to approximately HK\$18.0 million) and approximately RMB19.1 million (equivalent to approximately HK\$18.0 million) respectively and the audited loss before taxation and minority interests and net loss after taxation and minority interests for the year ended 31 December 2002 were approximately RMB18.2 million (equivalent to approximately HK\$17.2 million) and approximately RMB18.2 million (equivalent to approximately HK\$17.2 million) respectively. Although Guangxi Hongshuihe Cement was loss making in 2002 and 2003, the directors of the Company expect that the financial results of Guangxi Hongshuihe Cement will be improved with the synergy effects after the Acquisition.

INFORMATION ABOUT THE COMPANY

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

GENERAL

As the applicable ratios exceed 5% but are below 25% and the Vendor owns 67.86% equity interest in the substantial shareholder of Guangxi CR Cement, the transactions contemplated under the Acquisition Agreement constitute a discloseable and connected transaction of the Company under the Listing Rules.

The Acquisition Agreement is conditional upon the approval of the shareholders of the Company and the Acquisition is conditional upon the approval of the shareholders of Guangxi Hongshuihe Cement. China Resources Holdings together with its associates hold approximately 74.5% of the issued share capital of the Company and are not interested in the Acquisition Agreement except through their interests in the Company. Accordingly, China Resources Holdings and its associates are not required to abstain from voting in respect of the Acquisition Agreement under the Listing Rules. No shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for approval of the Acquisition Agreement. Written approval of the Acquisition Agreement has been obtained from China Resources Holdings. In view of the aforesaid and to avoid the unnecessary expenses of convening shareholders' meeting, shareholders' approval by way of a resolution passed at an extraordinary general meeting would not be required. An application will be made by the Company to the Stock Exchange for a waiver from strict compliance with the Listing Rules regarding the holding of a physical shareholders' meeting for the approval of the Acquisition Agreement pursuant to rule 14A.43 of the Listing Rules.

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

DEFINITIONS

“Acquisition”	acquisition of approximately 67.86% equity interest in Guangxi Hongshuihe Cement as provided under the Acquisition Agreement
“Acquisition Agreement”	an acquisition agreement dated 27 September 2004 entered into between CR Cement and Vendor as referred to in this announcement
“Board”	board of directors of the Company
“China Resources Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“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
“CR Cement”	China Resources Cement Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Flavour Glory”	Flavour Glory Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Group”	Company and its subsidiaries
“Guangxi CR Cement”	Guangxi China Resources Hongshuihe Cement Co., Ltd., a sino foreign equity joint venture established on 24 December 2001 in accordance with the laws of the PRC, which is held as to 70% by Flavour Glory, a wholly owned subsidiary of the Company, and 30% by Guangxi Hongshuihe Cement

“Guangxi Hongshuihe Cement”	Guangxi Hongshuihe Cement Joint Stock Company Limited, a joint stock company established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	Parties and their respective ultimate beneficial owners, who are independent from and not connected with any of the directors, chief executives and substantial shareholder of the Company, its subsidiaries or any of their respective associates and not connected persons of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Undertaking”	The Company has undertaken to the Vendor that the Company will purchase all the shares in Guangxi Hongshuihe Cement held by individual shareholders representing approximately 5.97% equity interest in Guangxi Hongshuihe Cement, within two months after the completion of the Acquisition at the consideration of approximately RMB19.4 million (equivalent to approximately HK\$18.3 million)
“Vendor”	南寧市人民政府國有資產監督管理委員會 (State-Owned Asset Supervision and Administration Commission of the People’s Government of Nanning)

Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of HK\$1.00 = RMB1.06. This exchange is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

By order of the Board

Shi Shanbo

Director

Hong Kong, 6 October 2004

As at the date of this announcement, the Board 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.

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