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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

DEEMED ACQUISITION OF 19% EQUITY INTEREST IN ZHANJIANG CR CEMENT

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

The original joint venture partners of Zhanjiang CR Cement, Guangxi CR Cement, a subsidiary of the Company, and Profit Pool entered into a Supplemental JV Agreement on 16 December 2004. Under the Supplemental JV Agreement, the registered capital of Zhanjiang CR Cement will be increased from approximately HK\$5.7 million to HK\$22.0 million. Guangxi CR Cement and Profit Pool agreed to make capital injection of amounts of approximately HK\$12.5 million and approximately HK\$3.8 million into Zhanjiang CR Cement respectively.

The capital injection is not in proportion to their respective shareholding and the indirect shareholding interest of the Company in Zhanjiang CR Cement will be increased from 51% to 70% upon the completion of the capital injection. There is a deemed acquisition of 19% equity interest in Zhanjiang CR Cement.

As Profit Pool is a substantial shareholder of Zhanjiang CR Cement, the Deemed 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 requirement in accordance with rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement.

THE SUPPLEMENTAL JV AGREEMENT DATED 16 DECEMBER 2004

- Parties: Guangxi CR Cement, a non-wholly owned subsidiary of the Company
- Profit Pool, its principal activities include its investment holding in Zhanjiang CR Cement
- Joint venture company: Zhanjiang CR Cement
- Capital injection: Total cash balance of HK\$16,320,000 of which HK\$12,503,200 and HK\$3,816,800 will be injected by Guangxi CR Cement and Profit Pool respectively. The capital injection of Guangxi CR Cement will be paid from internal resources of the Group. None of the parties to the Supplemental JV Agreement is required under such agreement to inject further capital into Zhanjiang CR Cement.
- Upon the completion of the capital injection, the indirect shareholding interest of the Company in Zhanjiang CR Cement will be increased from 51% to 70%.
- Registered capital: The original registered capital before the capital injection is HK\$5,680,000. Under the Supplemental JV Agreement, the registered capital of Zhanjiang CR Cement will be increased to HK\$22,000,000.
- Board of directors: The board of directors will comprise seven members, of which five and two directors will be appointed by Guangxi CR Cement and Profit Pool respectively.
- Completion: Parties to the Supplemental JV Agreement are required to inject the capital within 30 days after the issue of new business licence. The new business licence was issued on 30 December 2004.

There is no condition precedent and long stop date in the Acquisition Agreement.

REASONS FOR THE DEEMED ACQUISITION

As stated in the prospectus of the Company dated 26 June 2003, the production plant of Zhanjiang CR Cement is located in the piece of land which was being leased to Zhanjiang CR Cement together with, among other things, the production facilities. The landlord is under liquidation and its assets were recently on tender. The operations of Zhanjiang CR Cement may be disrupted if the leased production plant and land were acquired by competitors. Zhanjiang is located in the South-western part of the Guangdong Province. Zhanjiang CR Cement is the only cement plant of the Group that can economically serve that region. Accordingly, it is in the interest of the Company to tender such assets in order to continue production. Zhanjiang CR Cement has successfully tendered for the Acquisition.

DEEMED ACQUISITION

In order to obtain financial resources for the purpose of the Acquisition, upon negotiation, it was agreed that Zhanjiang CR Cement will distribute all its accumulated profit immediately before the injection of capital to its shareholders in the form of dividends in proportion to the shareholding interests. After the distribution, Guangxi CR Cement and Profit Pool would inject additional funds to the extent of approximately HK\$12.5 million and HK\$3.8 million respectively as capital injection in cash. Accordingly, the consideration of the Deemed Acquisition represented the corresponding equity interest of shareholders equity of Zhanjiang CR Cement and represented neither premium nor discount to the net asset value at the time of capital injection.

As the capital injection is not in proportion to the respective shareholdings, the indirect shareholding interest of the Company in Zhanjiang CR Cement will be increased from 51% to 70% upon the completion of the capital injection. There is a deemed acquisition of 19% equity interest in Zhanjiang CR Cement.

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

INFORMATION ABOUT ZHANJIANG CR CEMENT

Zhanjiang CR Cement was established as a sino foreign joint venture company in PRC on 3 March 2003 pursuant to the joint venture agreement dated 12 February 2003 entered into between Guangxi CR Cement and Profit Pool with a registered capital of HK\$5,680,000, of which 49% and 51% are beneficially held by Profit Pool and Guangxi CR Cement respectively. It is principally engaged in the manufacture and sale of cement products in Zhanjiang, PRC.

The net asset value of Zhanjiang CR Cement as at 31 December 2003 is approximately RMB6.3 million (equivalent to approximately HK\$5.9 million). As stated above, all the accumulated profit of Zhanjiang CR Cement will be distributed to its shareholders. Therefore, the net asset value of Zhanjiang CR Cement immediately before the capital injection will be approximately RMB6.0 million (equivalent to approximately HK\$5.7 million).

The audited profit before taxation and minority interests and net profit after taxation and minority interests of Zhanjiang CR Cement for the period from 3 March 2003 (date of establishment) to 31 December 2003 were approximately RMB0.27 million (equivalent to approximately HK\$0.25 million) and approximately RMB0.27 million (equivalent to approximately HK\$0.25 million), respectively.

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 PRC.

GENERAL

As Profit Pool is a substantial shareholder of Zhanjiang CR Cement, the entering into the Supplemental JV Agreement and the Deemed 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 requirement in accordance with rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement.

DEFINITIONS

“Acquisition”	the tender for such assets of the landlord by Zhanjiang CR Cement at the total consideration of RMB16.8 million (equivalent to approximately HK\$15.8 million)
“Board”	the board of directors of the Company
“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
“Deemed Acquisition”	the deemed acquisition of 19% equity interest in Zhanjiang CR Cement as provided under the Supplement JV Agreement
“Group”	Company and its subsidiaries
“Guangxi CR Cement”	Guangxi China Resources Hongshuihe Cement Co. Ltd., a sino foreign joint venture company established in PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Profit Pool”	Profit Pool Holdings Limited, a company incorporated in Hong Kong
“RMB”	Renminbi, the legal currency in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental JV Agreement” a supplemental agreement dated 16 December 2004 entered into between Guangxi CR Cement and Profit Pool

“Zhanjiang CR Cement” Zhanjiang China Resources Hongshuihe Cement Co., Ltd., a sino foreign joint venture company established in PRC

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 rate 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
China Resources Cement Holdings Limited
Shi Shanbo
Director

Hong Kong, 10 January 2005

As at the date of this announcement, the Board of the Company comprises eleven 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, two are non-executive directors, namely 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.