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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 25% EQUITY INTEREST IN CHINA RESOURCES DONGGUAN CEMENT

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

The Board announced that the Company entered into a Share Swap Agreement with the Vendors on 12 January 2005 for the acquisition of 25% equity interest in China Resources Dongguan Cement. The Consideration of HK\$38.0 million will be satisfied by the issue and allotment of a total of 19,000,000 Consideration Shares at the issue price of HK\$2.00 per Consideration Share by the Company to the Vendors or their nominees on a pro rata basis to their respective shareholding. The Consideration Shares have a total market value of approximately HK\$34.4 million, based on the closing price of HK\$1.81 per Share on 12 January 2005, being the last trading day prior to the release of this announcement. The Consideration Shares are issued under the General Mandate dated 21 May 2004.

China Resources Dongguan Cement is an investment holding company and holds 100% equity interest in Dongguan Cement which is principally engaged in the manufacture and trading of cement products in the PRC. As at the date of this announcement, China Resources Dongguan Cement is beneficially held as to 75% by the Company, 12.5% by UBE Industries and 12.5% by Sumitomo Corporation with 2.5% being held through its Associate, Sumitomo Corporation (Hong Kong).

As at the date of this announcement, the Consideration Shares represent approximately 5.2% of the existing issued share capital of the Company and approximately 5.0% of the enlarged issued share capital of the Company following the issue of the Consideration Shares. The Consideration Shares represent approximately 2.4% of the enlarged issued share capital of the Company following the issue of the Consideration Shares and the Conversion Shares.

Sumitomo Corporation (Hong Kong) is an Associate of Sumitomo Corporation and both UBE Industries and Sumitomo Corporation are substantial shareholders of China Resources Dongguan Cement. Accordingly, the Vendors are connected persons of the Company as defined under the Listing Rules. Other than being the substantial shareholders of China Resources Dongguan Cement, suppliers and customers of the Group, the Vendors do not have any other connection with the Company. Upon the completion of the Acquisition, the Vendors will cease to be connected persons of the Company.

Pursuant to the Share Swap Agreement, the Company and the Vendors will enter into a Memorandum of Strategic Alliance in connection with the cement manufacturing business upon completion of the Acquisition.

As the applicable percentage ratios exceed 5% but are below 25% and the Vendors are connected persons of the Company, the Share Swap Agreement constitutes a discloseable and connected transaction of the Company under the Listing Rules.

The Share Swap Agreement is conditional upon the approval of the Shareholders. Written approval of the Share Swap 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 Share Swap 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 Share Swap Agreement, the views of the independent non-executive Directors and details of the Share Swap Agreement will be despatched to the Shareholders within 21 days after the publication of this announcement.

Trading of the Shares on the Stock Exchange was suspended from 9:30 a.m. on 13 January 2005 at the request of the Company pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 January 2005.

THE SHARE SWAP AGREEMENT DATED 12 JANUARY 2005

Sellers: The Vendors

Buyer: The Company

Assets to be acquired: 25% equity interest in China Resources Dongguan Cement.

China Resources Dongguan Cement is a company incorporated in Hong Kong with limited liability on 25 January 1994. China Resources Dongguan Cement is an investment holding company and its principal asset is 100% equity interest in Dongguan Cement which is engaged in the manufacture and trading of cement products in the PRC. The Company has owned 75% equity interest in China Resources Dongguan Cement since its listing on 29 July 2003.

Consideration: The Consideration of HK\$38.0 million will be satisfied by the issue and allotment of a total of 19,000,000 Consideration Shares at the issue price of HK\$2.00 per Consideration Share by the Company to the Vendors or its nominees on a pro rata basis to their respective shareholdings.

The Consideration and the terms of the Share Swap Agreement have been arrived at after arm's length negotiations between the Company and the Vendors with reference to the audited consolidated net asset value of China Resources Dongguan Cement as at 31 December 2003, amounted to approximately HK\$131.5 million. The original cost of investments devoted by the UBE Industries, Sumitomo Corporation and Sumitomo Corporation (Hong Kong) as at 31 December 2004 was approximately HK\$18.8 million, approximately HK\$15.0 million and approximately HK\$3.8 million respectively.

The Consideration Shares have a total market value of approximately HK\$34.4 million, based on the closing price of HK\$1.81 per Share on 12 January 2005, being the last trading day prior to the release of this announcement.

The Consideration Shares represent approximately 5.2% of the existing issued share capital of the Company and approximately 5.0% of the enlarged issued share capital of the Company following the issue of the Consideration Shares. The Consideration Shares represent approximately 2.4% of the enlarged issued share capital of the Company following the issue of the Consideration Shares and the Conversion Shares.

The Consideration Shares are issued under the General Mandate dated 21 May 2004 under which the Company can issue up to 72,561,492 Shares.

The Consideration Shares will, upon allotment, be subject to lock-up undertakings from the Vendors for a period of twelve months from the date of the Memorandum of Strategic Alliance to be entered into on completion of the Share Swap Agreement.

The Issue Price represents:

- a premium of approximately 10.5% to the closing price of HK\$1.81 per Share on 12 January 2005, being the last trading day prior to the release of this announcement;
- a premium of approximately 15.5% to the average closing price of HK\$1.732 per Share over the last 10 trading days up to and including 12 January 2005, being the last trading day prior to the release of this announcement; and
- a discount of approximately 29.6% to the unaudited net asset value of the Company of HK\$2.84 per Share as at 30 June 2004.

Conditions:

Completion of the Share Swap Agreement shall be conditional upon satisfaction of all of the following conditions by not later than the long stop date of 28 February 2005 or such later date as may be mutually agreed by the Company and the Vendors:

1. the approval by the Shareholders in respect of the transactions contemplated by the Share Swap Agreement in accordance with the requirement of the Listing Rules; and

2. the Listing Committee of the Stock Exchange granting or agreeing to grant approval for the listing of and permission to deal in the Consideration Shares.

The parties shall use reasonable endeavours to ensure that the conditions are satisfied by no later than the long stop date. If for any reason any of the conditions shall not have been fulfilled by the Company by the long stop date, the Share Swap Agreement shall automatically be terminated and be null. The Company and the Vendors acknowledge that the above conditions 1 and 2 are requirements under the Listing Rules, which cannot be waived.

Completion: It is expected that the Acquisition will be completed on or before 28 February 2005.

MEMORANDUM OF STRATEGIC ALLIANCE

Pursuant to the Share Swap Agreement, the Company and the Vendors will enter into a Memorandum of Strategic Alliance in connection with the cement manufacturing business upon completion of the Acquisition. The Company and the Vendors desire to strengthen their alliance by cooperating in the (i) supply of clinker by Sumitomo Corporation; (ii) supply of granulated blast furnace slag by Sumitomo Corporation; and (iii) assistance to be rendered by secondees of the Vendors for the development of the cement manufacturing business of the Group. Under this Memorandum of Strategic Alliance, the Company will enter into a material supply agreement and an agreement for secondment with the Vendors. The term of the Memorandum of Strategic Alliance is five years from the date on which it comes into effect, unless terminated otherwise.

(i) Material supply agreement

The Company will agree to purchase and Sumitomo Corporation will agree to supply an annual total volume of not less than 600,000 tonnes of clinker at mutually acceptable price for the future ten years. The pricing shall be determined annually and each transaction is subject to the signing of separate sale and purchase contract.

(ii) Agreement for secondment

The Vendors will arrange secondees to the Company to assist the Group in the development of its cement manufacturing business. The principal responsibilities of the secondees include (a) rendering technical assistance to the cement factories of the Group; (b) giving advice on how to enhance efficiency in production, and sales planning and coordination, including export matters, of the Group; and (c) assisting in feasibility study of new projects in cement manufacturing and related businesses. The Company will pay annual management fees of HK\$300,000 to each of Sumitomo Corporation and UBE Industries during the term of the agreement which runs concurrently with the Memorandum of Strategic Alliance.

SHAREHOLDING BEFORE AND AFTER THE ISSUE OF CONSIDERATION SHARES AND CONVERSION SHARES

The table below shows the shareholding before and after the issue of the Consideration Shares and the Conversion Shares:

Shareholders	Before the issue of the Consideration Shares		After the issue of the Consideration Shares		After the issue of the Consideration Shares and the Conversion Shares (assume Qualifying Shareholders take up all the Bonds under the Clawback Offer)		After the issue of the Consideration Shares and the Conversion Shares (assume no Qualifying Shareholders take up the Bonds under the Clawback Offer)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
China Resources Holdings Public	270,132,647	74.5%	270,132,647	70.8%	570,132,647	72.9%	670,132,647	85.7%
Sumitomo Corporation	–	0.0	7,600,000	2.0%	7,600,000	1.0%	7,600,000	1.0%
Sumitomo (Hong Kong)	–	0.0	1,900,000	0.5%	1,900,000	0.2%	1,900,000	0.2%
UBE Industries	–	0.0	9,500,000	2.5%	9,500,000	1.2%	9,500,000	1.2%
Other shareholders	92,674,814	25.5%	92,674,814	24.2%	192,674,814	24.7%	92,674,814	11.9%
	<u>362,807,461</u>	<u>100.0%</u>	<u>381,807,461</u>	<u>100.0%</u>	<u>781,807,461</u>	<u>100.0%</u>	<u>781,807,461</u>	<u>100.0%</u>

Reference is made to the circular of the Company dated 24 December 2004 in relation to, amongst other things, the Subscription Agreement and the announcement of the Company dated 10 January 2005 regarding the results of extraordinary general meeting. As at the date of this announcement, the Subscription Agreement is completed and the Bonds of an aggregate principal amount of HK\$800.0 million have been issued by China Resources Cement Finance Limited to Firstsuccess Investments Limited, a wholly owned subsidiary of China Resources Holdings. The prospectus of the Clawback Offer is expected to be despatched to the Shareholders on or before 24 January 2005.

Under the terms of the instrument constituting the Bonds, the allotment and issue of the Consideration Shares on completion of the Acquisition will not trigger an adjustment to the initial conversion price of the Bonds of HK\$2.00 per Share.

China Resources Holdings has undertaken to the Company and the Stock Exchange that it will not exercise its rights to convert the Bonds if such conversion would result in Shares of less than the specified percentage required by the then prevailing Listing Rules being held by the public. As at the date of this announcement, this percentage is at 25% for the Company. Accordingly, the last two columns of the above table is just for illustrative purpose only.

The Consideration Shares and the Conversion Shares when fully paid and issued will rank pari passu in all respects with the existing Shares then in issue.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and an approval has been received from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR THE ACQUISITION

The Company will acquire an additional interest of 25% equity interest of China Resources Dongguan Cement through the Acquisition. Upon the completion of the Acquisition, China Resources Dongguan Cement will become a wholly owned subsidiary of the Company. The Acquisition will enable the Company to centralise the management and operation of China Resources Dongguan Cement and effectively integrate the operation of China Resources Dongguan Cement with other cement plants of the Group. The Acquisition will not only enable the Company to implement its development strategy through China Resources Dongguan Cement but also lead the restructuring of the cement industry in the Guangdong Province.

The executive Directors consider that the Share Swap Agreement was entered into on normal commercial terms and the Consideration for the Acquisition is fair and reasonable as far as the Shareholders are concerned and the Share Swap Agreement is in the interest of the Company and its Shareholders as a whole.

The independent non-executive Directors will provide their views on the Share Swap Agreement in the circular to be despatched to the Shareholders upon reviewing the letter of recommendation to be provided by the independent financial adviser.

INFORMATION ABOUT CHINA RESOURCES DONGGUAN CEMENT

China Resources Dongguan Cement is a company incorporated in Hong Kong with limited liability. It is beneficially held as to 25% by the Vendors and 75% by the Company. It is principally engaged in investment holding of Dongguan Cement and trading of cement products.

Dongguan Cement is engaged in the manufacture and trading of cement products in the PRC. Dongguan Cement's cement plant is located at the Dongguan city, Guangdong Province, the PRC. The cement plant currently consists of one grinding mill to process clinker into cement. It has an annual production capacity of approximately 1,000,000 tonnes of cement. A slag vertical mill with annual production capacity of about 500,000 tonnes of slag powder or cement is under construction and is expected to put into commercial operations in May 2005.

China Resources Dongguan Cement acquired Dongguan Cement on 10 September 2003. According to the audited consolidated financial statements for the year ended 31 December 2003 of China Resources Dongguan Cement which accounted for the full year result of China Resources Dongguan Cement and about three and a half months result of Dongguan Cement, the audited consolidated profit before taxation and minority interests and consolidated net profit after taxation and minority interests of China Resources Dongguan Cement for the year ended 31 December 2003 were approximately HK\$0.8 million and approximately HK\$0.2 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, which represented the result of China Resources Dongguan Cement only, were approximately HK\$7.1 million and approximately HK\$6.0 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 the PRC.

INFORMATION ABOUT THE VENDORS

Both Sumitomo Corporation and Sumitomo (Hong Kong) are principally engaged in trading, investing and financing. UBE Industries is principally engaged in manufacturing and selling of cement and clinker.

IMPLICATION UNDER THE LISTING RULES

Sumitomo Corporation (Hong Kong) is an Associate of Sumitomo Corporation and both UBE Industries and Sumitomo Corporation are substantial shareholders of China Resources Dongguan Cement. Accordingly, the Vendors are connected persons of the Company as defined under the Listing Rules. Other than being the substantial shareholders of China Resources Dongguan Cement, suppliers and customers of the Group, the Vendors do not have any other connection with the Company. Upon the completion of the Acquisition, the Vendors will cease to be connected persons of the Company.

As the applicable percentage ratios exceed 5% but are below 25% and the Vendors are connected persons of the Company, the Share Swap Agreement constitutes a discloseable and connected transaction of the Company under the Listing Rules.

The Share Swap Agreement is conditional upon the approval of the Shareholders. 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 Share Swap 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 Share Swap Agreement under the Listing Rules. No Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Share Swap Agreement. Written approval of the Share Swap 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 in the interest of the Company and its Shareholders as a whole. 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 a physical shareholders' meeting for the approval of the Share Swap Agreement pursuant to rule 14A.43 of the Listing Rules.

GENERAL

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

Trading of the Shares on the Stock Exchange was suspended from 9:30 a.m. on 13 January 2005 at the request of the Company pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 January 2005.

DEFINITIONS

“Acquisition”	the acquisition of 25% equity interest in China Resources Dongguan Cement pursuant to the Share Swap Agreement
“Associate”	has the meaning ascribed to it in the Listing Rules

“Board”	board of Directors
“Bonds”	the zero coupon guaranteed convertible bonds due 2010 in the aggregate principal amount of HK\$800.0 million
“China Resources Dongguan Cement”	China Resources Dongguan Cement Manufactory Holdings Limited, a company incorporated in Hong Kong with limited liability
“China Resources Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability
“Clawback Offer”	The offer of Bonds of an aggregate denominated value of HK\$200.0 million to the Qualifying Shareholders by Firstsuccess Investments Limited, a wholly owned subsidiary of China Resources Holdings
“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
“Consideration”	an aggregate cash value of HK\$38.0 million payable by the Company to the Vendors on completion of the Share Swap Agreement which will be satisfied by the issue and allotment of Consideration Shares at the Issue Price
“Consideration Shares”	19,000,000 Shares, credited as fully paid
“Conversion Shares”	400,000,000 Shares, subject to adjustment, to be allotted and issued by the Company upon conversion of the Bonds
“Directors”	the directors of the Company
“Dongguan Cement”	Dongguan Huarun Cement Manufactory Co., Ltd., a wholly owned foreign enterprise established in the PRC with a registered capital of HK\$149.0 million and a wholly owned subsidiary of China Resources Dongguan Cement
“General Mandate”	The General Mandate approved by Shareholders on 21 May 2004
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	the issue price of HK\$2.00 per Consideration Share
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Strategic Alliance”	a memorandum of strategic alliance to be entered into between the Company and the Vendors pursuant to the terms of the Share Swap Agreement

“PRC”	The People’s Republic of China
“Qualifying Shareholders”	Shareholders qualifying for the Clawback Offer
“RMB”	Renminbi, the lawful currency of the PRC
“Share Swap Agreement”	a share swap agreement dated 12 January 2005 entered into between the Company and the Vendors as referred to in this announcement
“Shareholders”	holders of the Shares
“Shares”	share of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sumitomo (Hong Kong)”	Sumitomo Corporation (Hong Kong) Limited, a subsidiary of Sumitomo Corporation
“Sumitomo Corporation”	Sumitomo Corporation, a company incorporated in Japan
“UBE Industries”	UBE Industries, Ltd., a company incorporated in Japan
“Vendors”	Sumitomo Corporation, Sumitomo (Hong Kong) and UBE Industries

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

Hong Kong, 14 January 2005

As at the date of this announcement, the Board 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.