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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 Codes: 712 and 2512)

## DISCLOSEABLE TRANSACTION

### ACQUISITION OF THE REMAINING INTEREST IN THE PINGNAN JOINT VENTURE

Advised by

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

The Directors announced that China Resources Cement Investments, a wholly owned subsidiary of the Company, entered into the Yufeng Acquisition Agreement with Guangxi Yufeng and Tricot on 31 August 2005 for the purpose of acquiring the remaining 9.1% equity interest in the Pingnan Joint Venture (comprising the registered capital of RMB57,700,000) held by Guangxi Yufeng at a consideration of RMB64,624,000, which is equivalent to approximately HK\$62,138,000.

Upon the completion of the Acquisition, the Pingnan Joint Venture will become a wholly owned subsidiary of the Company. This will enable the Group to achieve greater flexibility in and maintain full control over the management, operation and cashflow of the Pingnan Joint Venture and to further strengthen and consolidate the Group's business position in the cement business in the PRD, which ideally fits in the Group's business and growth strategies.

As the relevant percentage ratios defined under the Listing Rules exceed 5%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the disclosure requirements under Chapter 14 of the Listing Rules. The Company will issue a circular containing, among other things, particulars of the Acquisition to Shareholders as soon as practicable.

#### BACKGROUND

On 29 November 2004, the Company entered into the Tricot Acquisition Agreement with China Resources Holdings, whereby China Resources Holdings, agreed to sell and the Company agreed to acquire, the entire issued share capital of Tricot, which in turn holds approximately 73.5% interest in the Pingnan Joint Venture, and the related shareholder's loan for a total consideration of approximately HK\$151.7 million. The Tricot Acquisition Agreement was approved by Shareholders on 10 January 2005 and completed on 13 January 2005.

On 23 February 2005, the Board passed a resolution approving Tricot to enter into the Supplemental JV Agreement with Guangxi Yufeng, under which the registered capital of the Pingnan Joint Venture was increased from RMB217.7 million, which is equivalent to approximately HK\$209.3 million, to approximately RMB636.9 million, which is equivalent to approximately HK\$612.4 million. According to the Supplemental JV Agreement, both parties agreed that Tricot would contribute all the incremental registered capital of the Pingnan Joint Venture in an aggregate amount of approximately RMB419.2 million, which is equivalent to approximately HK\$403.1 million. The Supplemental JV Agreement was approved by Shareholders on 11 April 2005 and the increase in registered capital of the Pingnan Joint Venture was approved by the relevant government authorities in PRC on 29 July 2005. Up to the date of this announcement, Tricot has contributed an additional amount of RMB202.8 million, which is equivalent to approximately HK\$195.0 million, into the capital of the Pingnan Joint Venture. Although Tricot has not fully contributed the increased amount of the registered capital, as confirmed by Global Law Office, PRC lawyers of the Company, the Group's equity interest in the Pingnan Joint Venture has been legally increased from 73.5% to 90.9% since 29 July 2005 as the result of the Supplemental JV Agreement. Accordingly, the shareholding of Guangxi Yufeng in the Pingnan Joint Venture has been diluted to 9.1%.

On 31 August 2005, China Resources Cement Investments, a wholly owned subsidiary of the Company, entered into the Yufeng Acquisition Agreement with Guangxi Yufeng and Tricot in relation to the Acquisition. Details of the Yufeng Acquisition Agreement are as follows:

#### **THE YUFENG ACQUISITION AGREEMENT**

<b>Date</b>	31 August 2005
<b>Parties</b>	(1) Guangxi Yufeng, as vendor; (2) China Resources Cement Investments, as purchaser; and (3) Tricot, as the majority shareholder in the Pingnan Joint Venture
<b>Interest to be acquired</b>	9.1% equity interest in the Pingnan Joint Venture (comprising the registered capital of RMB57,700,000) held by Guangxi Yufeng
<b>Consideration</b>	RMB64,624,000, equivalent to approximately HK\$62,138,000, in cash
<b>Term of payment</b>	RMB26,000,000 payable before 31 August 2005; RMB13,000,000 payable before 30 September 2005; RMB13,000,000 payable before 31 October 2005; the balance of RMB12,624,000 payable within three days after the completion of business registration in PRC in respect of the transfer of the interest to be acquired from Guangxi Yufeng to the Company

Tricot, as a party to the Yufeng Acquisition Agreement, has agreed to give up its pre-emptive rights in respect of the interest held by Guangxi Yufeng in the Pingnan Joint Venture.

#### **Basis of determination of the consideration**

The consideration of RMB64,624,000, which is equivalent to approximately HK\$62,138,000, was arrived at after arm's length negotiations between China Resources Cement Investments and Guangxi Yufeng. It will be funded by internal financial resources of the Group. The consideration was calculated on the basis of the original investment cost of Guangxi Yufeng of RMB57,700,000 (equivalent to approximately HK\$55,481,000) plus interest at 6% per annum accrued for a period of two years.

#### **Completion**

It is expected that the Acquisition will be completed on or before 31 December 2005. The Pingnan Joint Venture will become a wholly owned subsidiary of the Company upon completion of the Acquisition.

#### **REASONS FOR ENTERING INTO THE YUFENG ACQUISITION AGREEMENT**

With the acquisition of 73.5% equity interest in the Pingnan Joint Venture by the Company, the Group has successfully increased its annual cement production capacity from 3.3 million tonnes to 5.2 million tonnes. As stated in the circular issued by the Company dated 24 March 2005, the Company decided to build another 5,000 tonnes per day dry process clinker production line at the existing plant operated by the Pingnan Joint Venture to capture additional market share in the cement market in the PRD.

For the six months ended 30 June 2005, the Pingnan Joint Venture recorded an unaudited net profit of approximately HK\$8,757,000 on unaudited turnover of approximately HK\$147,277,000. Having considered the satisfactory operating results of the Pingnan Joint Venture and the current market conditions, the Directors are of the view that the Acquisition will generate additional values for Shareholders and will allow the Group to be more flexible in the implementation of its business and growth strategies.

Upon the completion of the Acquisition, the Pingnan Joint Venture will become a wholly owned subsidiary of the Company. This will enable the Group to achieve greater flexibility in and maintain full control over the management, operation and cashflow of the Pingnan Joint Venture and to further strengthen and consolidate the Group's business position in the cement business in the PRD, which ideally fits in the Group's business and growth strategies.

The Directors consider that the Yufeng Acquisition Agreement was entered into in the ordinary course of business and on normal commercial terms and the consideration for the Acquisition is fair and reasonable as far as Shareholders are concerned and the Acquisition is in the best interest of the Company and Shareholders as a whole.

#### **INFORMATION ABOUT TRICOT**

Tricot is an investment holding company which was incorporated in the British Virgin Islands on 1 July 2003 and its principal business is the investment holding in the Pingnan Joint Venture.

## INFORMATION ABOUT THE PINGNAN JOINT VENTURE

The Pingnan Joint Venture was established on 20 May 2002 with a registered and paid up capital of RMB217.7 million, which is equivalent to approximately HK\$209.3 million. The cumulative amount paid up as capital at 30 June 2005 was RMB420.5 million, which is equivalent to approximately HK\$404.3 million. The principal activity of the Pingnan Joint Venture is the production and sale of cement products.

The Pingnan Joint Venture only commenced operation in October 2004. No turnover was recorded for the period from 20 May 2002 (date of establishment) to 30 September 2004. The Pingnan Joint Venture recorded losses before taxation of HK\$18,258,000, HK\$4,305,000 and HK\$262,000 and losses after taxation of HK\$10,963,000, HK\$4,305,000 and HK\$262,000 for the years ended 31 December 2004 and 2003 and for the period from 20 May 2002 (date of establishment) to 31 December 2002 respectively. As at 31 December 2004, the audited net asset of the Pingnan Joint Venture was approximately HK\$189.7 million of which approximately HK\$50,271,000 was attributable to Guangxi Yufeng as the minority shareholder of the Pingnan Joint Venture.

## INFORMATION ABOUT GUANGXI YUFENG

Guangxi Yufeng is a limited liability company established in PRC. Its principal activities include its investment holding in the Pingnan Joint Venture. To the best knowledge of the Directors, Guangxi Yufeng and its associates are Independent Third Parties.

## INFORMATION ABOUT THE COMPANY

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

## GENERAL

As the relevant percentage ratios defined under the Listing Rules exceed 5%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the disclosure requirements under Chapter 14 of the Listing Rules. The Company will issue a circular containing, among other things, particulars of the Acquisition to Shareholders as soon as practicable.

## DEFINITIONS

“Acquisition”	acquisition of the 9.1% equity interest in the Pingnan Joint Venture (comprising the registered capital of RMB57,700,000) from Guangxi Yufeng pursuant to the Yufeng Acquisition Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“China Resources Cement Investments”	China Resources Cement Investments Limited, a company established in PRC with limited liability and a wholly owned subsidiary of the Company. Its principal businesses include the marketing of cement products, procurement of materials and projects management
“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 the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Group”	Company and its subsidiaries
“Guangxi Yufeng”	Guangxi Yufeng Group Cement Company Limited, a limited liability company established in PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of PRC
“Independent Third Parties”	independent third parties who are not connected persons of the Company as defined in the Listing Rules, and are independent of the Company and connected persons of the Company

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Pingnan Joint Venture”	Guangxi Pingnan China Resources Yufeng Cement Company Limited, a limited liability company established in PRC
“PRC”	The People’s Republic of China
“PRD”	Pearl River Delta region in Guangdong Province, PRC
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental JV Agreement”	a supplemental agreement relating to the Pingnan Joint Venture entered into between Tricot and Guangxi Yufeng on 11 April 2005
“Tricot”	Tricot Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Tricot Acquisition Agreement”	a sale and purchase agreement dated 29 November 2004 entered into between the Company and China Resources Holdings
“Yufeng Acquisition Agreement”	a sale and purchase agreement dated 31 August 2005 entered into between China Resources Cement Investments, Guangxi Yufeng and Tricot

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at the rate of HK\$1.00 = RMB1.04. 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  
**Lee Yip Wah, Peter**  
*Company Secretary*

Hong Kong, 1 September 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.