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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: 1313)

**CONTINUING CONNECTED TRANSACTIONS
DIRECT POWER SUPPLY**

References are made to the Company's announcements dated 21 December 2016 and 1 November 2017 in relation to, among other matters, the entering into of the 2016 Direct Power Supply Framework Agreement and the 2017 Direct Power Supply Framework Agreement respectively.

As the 2017 Direct Power Supply Framework Agreement and its annual caps will expire on 31 December 2020, the Company entered into the 2020 Direct Power Supply Framework Agreement with CR Power for a term of three years whereby the annual caps are renewed after arm's length negotiations with reference to (i) the historical transaction amounts; (ii) the maximum prevailing unit price of electricity payable by the Group indirectly to CR Power Group through provincial power grid companies; and (iii) the projected electricity consumption of the Group based on the Group's business needs in 2021 to 2023.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual cap under the 2020 Direct Power Supply Framework Agreement exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the 2020 Direct Power Supply Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

References are made to the Company's announcements dated 21 December 2016 and 1 November 2017 in relation to, among other matters, the entering into of the 2016 Direct Power Supply Framework Agreement and the 2017 Direct Power Supply Framework Agreement respectively.

As the 2017 Direct Power Supply Framework Agreement and its annual caps will expire on 31 December 2020, the Company entered into the 2020 Direct Power Supply Framework Agreement with CR Power for a term of three years as follows.

2020 DIRECT POWER SUPPLY FRAMEWORK AGREEMENT

(1) Date

10 November 2020

(2) Parties

- (a) CR Power; and
- (b) the Company.

(3) Term

A fixed term of three years from 1 January 2021 to 31 December 2023.

(4) Subject Matter

The Group shall purchase electricity from CR Power Group, including but not limited to direct power supply (where CR Power Group generates the electricity to be supplied) and agency power supply (where CR Power Group purchases the electricity for supply to the Group). The volume of electricity to be purchased shall be determined by the parties.

It is contemplated under the 2020 Direct Power Supply Framework Agreement that individual contracts will be entered into between respective relevant members of the Group and CR Power Group for a term ending not later than 31 December 2023 to govern the specific terms of electricity purchases in relation to each relevant production plant of the Group, which shall be on normal commercial terms or better and arrived at upon arm's length negotiations, with reference to market practice, industry standards and in accordance with the relevant national or local rules and regulations.

(5) Pricing

The electricity fees payable by the Group shall be determined after arm's length negotiations in accordance with the relevant policies on power supply system reform of PRC and its provinces, and with reference to prices in the open market, which shall be no less favourable than the prices for similar transactions with independent third parties.

As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Power Group, the Group will obtain quotes of electricity fees from other independent power generation enterprises for similar duration before it enters into any new arrangement of direct power supply or agency power supply with CR Power Group and such quotes, together with the offer from CR Power Group, will be reviewed and passed by the Group's internal approval procedures.

(6) Payment Terms

Payment terms shall be negotiated on arm's length basis and on normal commercial terms under the individual contracts. According to market practice and industry standards, the Group usually settles its payable electricity fees with the relevant provincial power grid companies on a monthly basis. After deduction of power grid fees payable to the relevant provincial power grid companies, government funds and levies, the relevant provincial power grid companies shall pay the electricity fees payable by the relevant members of CR Power Group to their ultimate electricity suppliers and the remainder to the relevant members of CR Power Group respectively.

ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps (exclusive of taxes) for the Group's contemplated purchase of electricity from CR Power Group under the 2020 Direct Power Supply Framework Agreement are as follows:

	<i>RMB</i> <i>million</i>	<i>HK\$</i> <i>million equivalent</i>
for the year ending 31 December 2021	1,600.0	1,872.0
for the year ending 31 December 2022	1,600.0	1,872.0
for the year ending 31 December 2023	1,600.0	1,872.0

The proposed annual caps were determined after arm's length negotiations with reference to (i) the historical transaction amounts; (ii) the maximum prevailing unit price of electricity payable by the Group indirectly to CR Power Group through provincial power grid companies; and (iii) the projected electricity consumption of the Group based on the Group's business needs in 2021 to 2023.

Set out below are the approximate historical amounts of electricity fees paid by the Group indirectly to CR Power Group through provincial power grid companies pursuant to the terms of the 2017 Direct Power Supply Framework Agreement, as well as the respective annual caps:

	Annual caps	Approximate historical amounts	
	<i>RMB million</i>	<i>RMB million</i>	<i>HK\$ million equivalent</i>
for the year ended 31 December 2018	1,050.0	836.1	990.9
for the year ended 31 December 2019	1,050.0	898.1	1,018.6
for the seven months ended 31 July 2020	1,050.0	544.1	600.0

REASONS FOR AND BENEFITS OF THE TRANSACTION

Since 2015, various provinces in PRC gradually implement direct power supply transactions and the entry conditions for various entities (including electricity users, power generation enterprises and power trading companies etc.) to participate in direct power supply transactions have been further loosened. Subject to qualification application and approval by the relevant authorities, major industrial electricity users may enter into agreements with certain power generation enterprises to directly purchase electricity from such power generation enterprises rather than from the provincial power grid companies. Since the members of the Group have a high demand for electricity, they fall within the scope of major industrial electricity users stipulated by the said measures. Taking advantage of the said measures, currently, the Group has been procuring direct power supply from power generation enterprises including CR Power Group in Guangdong, Guangxi, Yunnan and Guizhou, and it is expected that our subsidiaries in other provinces at which the Group has operations will participate in direct power supply transactions in the foreseeable future.

The transactions contemplated under the 2020 Direct Power Supply Framework Agreement will enable the Group to secure electricity supply at fair, reasonable and competitive prices which are lower than the normal on-grid tariffs, which in turn reduces the operating costs of the Group.

All Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the 2020 Direct Power Supply Framework Agreement are negotiated on arm's length basis, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the 2020 Direct Power Supply Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRCL, the controlling shareholder of the Company, indirectly holds approximately 62.94% of the shares issued by CR Power. Accordingly, CR Power is a connected person of the Company under Chapter 14A of the Listing Rules, and therefore, the transactions contemplated under the 2020 Direct Power Supply Framework Agreement constitute continuing connected transactions for the Company.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps under the 2020 Direct Power Supply Framework Agreement exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the 2020 Direct Power Supply Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. CHEN Ying and Mr. WANG Yan are the directors of both CR Power and the Company, and given the senior management roles of Mr. ZHOU Longshan, Madam WAN Suet Fei and Mr. JING Shiqing at CRH, as good corporate governance measure, these five Directors absented themselves from the Board meeting when the 2020 Direct Power Supply Framework Agreement and the transactions contemplated thereunder were discussed, voted and approved. Save as disclosed above, none of the Directors has any material interest in the 2020 Direct Power Supply Framework Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES TO THE TRANSACTIONS AND THEIR UTLIMATE BENEFICIAL OWNER

CR Power

CR Power was incorporated in Hong Kong with limited liability and its shares have been listed and traded on the Stock Exchange since 12 November 2003. As at the date of this announcement, approximately 62.94% of the shares issued by CR Power are indirectly held by CRH, which in turn is ultimately owned by CRCL. CR Power is principally engaged in the investment, development, operation and management of power plants in PRC.

The Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the main board of the Stock Exchange. As at the date of this announcement, approximately 68.72% of the shares issued by the Company are indirectly held by CRH, which in turn is ultimately owned by CRCL. The Group is principally engaged in the manufacture and sale of cement, concrete and other related products and services in PRC and Hong Kong.

CRCL

CRCL, the ultimate beneficial owner of the Company and CR Power, is a company incorporated in PRC with limited liability and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of PRC. It is the holding company of CRH, and is a conglomerate which holds a variety of businesses in PRC and Hong Kong including but not limited to consumer products, healthcare, energy services, urban construction and operation, technology and finance.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2016 Direct Power Supply Framework Agreement”	the framework agreement entered into between the Company and CR Power on 21 December 2016 in relation to the purchase of electricity by the Group from CR Power Group;
“2017 Direct Power Supply Framework Agreement”	the framework agreement entered into between the Company and CR Power on 1 November 2017 in relation to the purchase of electricity by the Group from CR Power Group;
“2020 Direct Power Supply Framework Agreement”	the framework agreement entered into between the Company and CR Power on 10 November 2020 in relation to the purchase of electricity by the Group from CR Power Group;
“associates”	has the meaning ascribed thereto under the Listing Rules;
“Board”	board of Directors;
“Company”	China Resources Cement Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“continuing connected transactions”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CR Power”	China Resources Power Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 836);

“CR Power Group”	CR Power, its subsidiaries and its associates;
“CRCL”	China Resources Company Limited, a company incorporated in PRC with limited liability;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the intermediate holding company of the Company and CR Power, which is ultimately owned by CRCL;
“Director(s)”	the director(s) of the Company;
“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 PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By order of the Board
CHINA RESOURCES CEMENT HOLDINGS LIMITED
ZHOU Longshan
Chairman

Hong Kong, 10 November 2020

For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.17 for the date of this announcement. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

As at the date of this announcement, the executive Directors are Mr. ZHOU Longshan and Mr. JI Youhong; the non-executive Directors are Mr. CHEN Ying, Mr. WANG Yan, Madam WAN Suet Fei and Mr. JING Shiqing; and the independent non-executive Directors are Mr. IP Shu Kwan Stephen, Mr. SHEK Lai Him Abraham, Madam ZENG Xuemin and Mr. LAM Chi Yuen Nelson.