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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
PROCUREMENT OF IT SERVICES**

On 1 January 2021, CRC Investments, the Company's wholly owned subsidiary, entered into the Framework Agreement with CR Digital for a term from 1 January 2021 to 31 December 2021 with respect to the Group's procurement of IT Services from CR Digital Group. On 24 December 2021, CRC Investments entered into the Supplemental Agreement with CR Digital to extend the expiry date of the term of the Framework Agreement to 31 December 2023.

In compliance with the Listing Rules, the Company has been closely monitoring the continuing connected transactions with CR Digital Group through various internal control measures. For the year ended 31 December 2020 and as at the date of this announcement, all applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of such continuing connected transactions completed and settled are below 0.1%. The Group continued to promote the construction of information technology, digitalization and intelligentization to raise the efficiency of production and operation, reduce production costs, secure product quality, as well as enhance the standards of safety and environmental protection. The Directors therefore expect that the continuing connected transactions to be entered into, completed and settled with CR Digital Group for the year ending 31 December 2021 will soon exceed the de minimis transaction threshold of 0.1% percentage ratio under the Listing Rules.

The proposed annual caps have been determined with reference to, among others, the following factors: (i) the historical transaction amounts; (ii) the expected scopes and scale of cooperation between the parties; (iii) the expected quality level of infrastructure, services and technical support to be received from CR Digital Group; (iv) the Group's business needs; and (v) the expected increases in average prices of the relevant services in the future.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps of the Agreements exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Agreements 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

On 1 January 2021, CRC Investments, the Company's wholly owned subsidiary, entered into the Framework Agreement with CR Digital for a term from 1 January 2021 to 31 December 2021 with respect to the Group's procurement of IT Services from CR Digital Group.

On 24 December 2021, CRC Investments entered into the Supplemental Agreement with CR Digital to extend the expiry date of the term of the Framework Agreement to 31 December 2023.

FRAMEWORK AGREEMENT

(1) Date

1 January 2021

(2) Parties

- (a) CRC Investments; and
- (b) CR Digital.

(3) Term

From 1 January 2021 to 31 December 2021.

(4) IT Services

During the term of the Framework Agreement, according to its business needs, the Group may elect to procure the information technology, digitalization and intelligentization services supplied by CR Digital Group, which mainly include: (i) maintenance services for generic applications and operating systems, including daily maintenance, procurement of software, and licensing of software; (ii) specific implementation services, including services for development and implementation of unified application systems; (iii) infrastructure and services for information technology, digitalization and intelligentization, including cloud platforms, as well as hardware, software and technical support services for the informatization of traditional resource pool; and (iv) other services, including iteration, upgrade and launch of equipment management systems at the cement production plants of the Group, implementation of online monitoring systems of mechanical equipment and switched remote diagnosis systems, information security, smart manufacturing projects, industrial internet of things, and collection of externally applicable software licensing fees relating to legalization and localization of software, etc.

(5) Subject Matter

Individual contracts shall be entered into between the respective relevant members of the Group and CR Digital Group to govern the specific terms of procurement of IT Services in relation to each relevant members of the Group, which shall be on normal commercial terms or better and arrived at upon arm's length negotiations.

(6) Pricing

The prices of the IT Services shall be determined on arm's length basis through public tender or mutual negotiations by the parties with reference to the open market prices or quotes from other independent suppliers of similar services and taking into account the service level, quality of services as well as other terms such as payment terms and time required for the provision of services. Such prices shall not be higher than those offered by other independent third-party suppliers.

(7) 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, CR Digital Group generally issues invoices every quarter to relevant members of the Group and requires relevant members of the Group to settle payment within 30 days after receiving the invoices.

SUPPLEMENTAL AGREEMENT

(1) Date

24 December 2021

(2) Parties

- (a) CRC Investments; and
- (b) CR Digital.

(3) Subject Matter

The expiry date of the term of the Framework Agreement shall be extended to 31 December 2023. The list of members of the Group was also updated at the same time.

INTERNAL CONTROL MEASURES

When the Group procures relevant services in its ordinary and usual course of business, it will select suppliers and determine the relevant procurement terms through negotiations based on the types and scale of the procurement. Every individual contract between the Group and CR Digital Group will be reviewed and approved according to the Group's internal approval and monitoring procedures for continuing connected transactions prior to execution. In particular, the Group will obtain quotes from other independent suppliers for procurement of similar services and consider assessment criteria (including the price, quality, suitability, payment terms, and time required for the provision of services), and such quotes, together with the offer from CR Digital Group, will be reviewed and passed by the management of the relevant members of the Group and the legal personnel of the Group according to the Group's internal approval procedures.

The finance department of the relevant members of the Group will be responsible for the monthly reporting of the amount of continuing connected transactions to the finance department of the Company for monitoring the annual cap of the relevant transactions every month and issuing warning to the Board, relevant departments and units of the Group when the utilization rate of annual cap reaches 80%, which will facilitate the Board to consider implementation of relevant response measures such as the revision of annual cap. The continuing connected transactions shall also be subject to review and audit by independent non-executive Directors and auditors respectively every year pursuant to Chapter 14A of the Listing Rules.

ANNUAL CAPS AND BASIS OF DETERMINATION

In compliance with the Listing Rules, the Company has been closely monitoring the continuing connected transactions with CR Digital Group through various internal control measures. For the year ended 31 December 2020 and as at the date of this announcement, all applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of such continuing connected transactions completed and settled are below 0.1%. The Group continued to promote the construction of information technology, digitalization and intelligentization to raise the efficiency of production and operation, reduce production costs, secure product quality, as well as enhance the standards of safety and environmental protection. The Directors therefore expect that the continuing connected transactions to be entered into, completed and settled with CR Digital Group for the year ending 31 December 2021 will soon exceed the de minimis transaction threshold of 0.1% percentage ratio under the Listing Rules.

Set out below are the approximate historical amounts of payments from the Group to CR Digital Group for the procurement of IT Services pursuant to the terms of the individual contracts entered into in the past:

Approximate historical amounts

| | <i>RMB</i> | <i>HK\$</i> <i>equivalent</i> |
|--|------------|----------------------------------|
| for the year ended 31 December 2019 | 9,275,000 | 10,563,000 |
| for the year ended 31 December 2020 | 26,194,000 | 30,436,000 |
| for the ten months ended 31 October 2021 | 18,526,000 | 22,206,000 |

The proposed annual caps (exclusive of taxes) for the contemplated procurement of IT Services by the Group from CR Digital Group under the Agreements are as follows:

Proposed annual caps (exclusive of taxes)

| | <i>RMB</i> | <i>HK\$</i> <i>equivalent</i> |
|--------------------------------------|-------------|----------------------------------|
| for the year ending 31 December 2021 | 120,000,000 | 147,600,000 |
| for the year ending 31 December 2022 | 300,000,000 | 369,000,000 |
| for the year ending 31 December 2023 | 400,000,000 | 492,000,000 |

The proposed annual caps have been determined with reference to, among others, the following factors: (i) the historical transaction amounts; (ii) the expected scopes and scale of cooperation between the parties; (iii) the expected quality level of infrastructure, services and technical support to be received from CR Digital Group; (iv) the Group's business needs; and (v) the expected increases in average prices of the relevant services in the future.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Agreements will enable the Group to procure the IT Services provided by CR Digital Group to support the Group's business, to ensure a steady source of services which are of reliable quality, and to support the development within the CR Digital Group on normal commercial terms and on a scale which will not place the Group's resources at risk or affect its relationship with other independent third-party suppliers. Under the Agreements, the Group is not required to exclusively procure the IT Services from CR Digital Group. The Group will retain the flexibility and discretion in selecting CR Digital Group and/or other independent suppliers based on arm's length negotiation and taking into account the commercial terms and factors of consideration.

All Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Agreements 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 and proposed annual caps of the Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

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 (stock code: 1313). 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 a wholly owned subsidiary of CRI, 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.

CRC Investments

CRC Investments, a company incorporated in PRC with limited liability, is an indirect wholly-owned subsidiary of the Company, holding investments of various subsidiaries in PRC which are principally engaged in the manufacture and sale of cement, clinker and concrete.

CR Digital

CR Digital, a company incorporated in PRC with limited liability, is a wholly-owned subsidiary of CRI. CR Digital is the digital technology business which CRH focuses on cultivating, the constructor and operator of digitalization infrastructure of CRH which serves as the core support to CRH for digital industrialization in technology and emerging industry sectors. According to planning, CR Digital will focus on the “3+1” business direction of government-enterprise digitalization services, services for operation and data of members’ internet, internet for industries and smart manufacturing, and information technology services in Hong Kong to continuously create a one-stop digitalization service portfolio that is dedicated to becoming a trustworthy leader in digital technology services.

CRCL

As the ultimate beneficial owner of the Company, CRC Investments and CR Digital, CRCL 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, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRCL, the controlling shareholder of the Company, indirectly holds 100% equity interests of CR Digital. Accordingly, CR Digital is a connected person of the Company under Chapter 14A of the Listing Rules, and therefore, the transactions contemplated under the Agreements 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 of the Agreements exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Agreements 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.

Given the senior management role of Mr. LI Fuli at CRH, as good corporate governance measure, Mr. LI Fuli absented themselves from the Board meeting when the Agreements and the transactions contemplated thereunder were discussed, voted and approved. Save as disclosed above, none of the Directors has any material interest in the Procurement Framework Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

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|-------------------------------------|---|
| “Agreements” | the Framework Agreement and the Supplemental Agreement; |
| “associate(s)” | 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 (stock code: 1313); |
| “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 Digital” | China Resources Digital Holdings Limited (華潤數科控股有限公司), a company incorporated in PRC with limited liability, a wholly owned subsidiary of CRI; |
| “CR Digital Group” | CR Digital, its associates, its joint ventures and associates without controlling shareholding; |
| “CRC Investments” | China Resources Cement Investments Limited, a company incorporated in PRC with limited liability, an indirect wholly-owned subsidiary of the Company; |

| | |
|--------------------------|---|
| “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, which is ultimately owned by CRCL; |
| “CRI” | China Resources Inc., a joint stock limited liability company incorporated in PRC, which is the holding company of CRH, which is ultimately wholly owned by CRCL; |
| “Director(s)” | the director(s) of the Company; |
| “Framework Agreement” | the “IT Products/Services Framework Agreement” dated 1 January 2021 entered into between CRC Investments and CR Digital; |
| “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; |
| “IT Services” | has the meaning ascribed thereto in the section headed “IT Services” in this announcement; |
| “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; |
| “Supplemental Agreement” | the “Supplemental Agreement” dated 24 December 2021 with respect to the Framework Agreement entered into between CRC Investments and CR Digital. |

By order of the Board
CHINA RESOURCES CEMENT HOLDINGS LIMITED
JI Youhong
Chief Executive Officer

Hong Kong, 24 December 2021

** In this announcement, the English names of PRC government authorities or entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

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\$1.23 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 non-executive Directors are Mr. LI Fuli (Chairman), Mr. ZHU Ping, Mr. CHEN Kangren and Mr. YANG Changyi; the executive Director is Mr. JI Youhong (Chief Executive Officer); 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.