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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
SALE OF CONSTRUCTION MATERIALS**

The Board is pleased to announce that on 29 December 2022, CR Land and the Company entered into the Construction Materials Framework Agreement, pursuant to which, CR Land Group may procure construction materials from the Group, and accordingly, the annual caps of RMB400.0 million, RMB500.0 million and RMB600.0 million (equivalent to approximately HK\$448.0 million, HK\$560.0 million and HK\$672.0 million) have been proposed respectively for the above transactions for each of the three years ending 31 December 2023, 2024 and 2025.

The proposed annual caps have been determined with reference to, among others, the following factors: (i) the historical transaction amounts; (ii) the expected regions and scopes of cooperation between the parties; (iii) the quantity of construction materials supplied under prevailing individual contracts; and (iv) the expected increases in CR Land Group's demand for construction materials and the level of cooperation between the parties for the upcoming three years.

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

BACKGROUND

The Board is pleased to announce that on 29 December 2022, CR Land and the Company entered into the Construction Materials Framework Agreement, pursuant to which, CR Land Group may procure construction materials from the Group, and accordingly, the annual caps of RMB400.0 million, RMB500.0 million and RMB600.0 million (equivalent to approximately HK\$448.0 million, HK\$560.0 million and HK\$672.0 million) have been proposed respectively for the above transactions for each of the three years ending 31 December 2023, 2024 and 2025.

CONSTRUCTION MATERIALS FRAMEWORK AGREEMENT

(1) Date

29 December 2022

(2) Parties

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

(3) Term

A fixed term from 1 January 2023 to 31 December 2025.

(4) Subject Matter

During the term of the Construction Materials Framework Agreement, CR Land Group may procure construction materials from the Group based on its daily operation needs. Currently, the construction materials which the Group sells include but are not limited to basic building materials such as cement and aggregates, structural building materials such as concrete and prefabricated precast components, functional building materials such as engineered stone and tile adhesive, and new materials.

The terms of the individual contracts shall be determined by the parties after arm's length negotiation with reference to market practice, industry standards and relevant regional rules and regulations, and in compliance with the principles, terms, conditions and applicable laws governing the Construction Materials Framework Agreement.

(5) Pricing

When determining the selling prices of construction materials, the parties shall refer to the prevailing market prices of similar construction materials and consider the applicable commercial factors such as the scale, formats, uses and geographical locations of relevant properties, the economies of scale of the procurement arrangements and the price control rules, regulations and policies of relevant regions. If there is no comparable price available for specific construction materials in the market or if the parties are unable to execute the transaction according to the market price due to special reasons, the parties have to regard each other as an independent third party and set out terms and conditions for the transactions based on fair and reasonable principles.

(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 of the sale of construction materials, the Group requires the relevant members of CR Land Group to settle payment within 30 days of the date of invoice.

INTERNAL CONTROL MEASURES

The sales management department, the business divisions and each relevant business units of the Group will conduct a comprehensive survey on customers' demand, market competition and the average market price of similar products with standard specifications in the same industry each year. The standard price list of products with standard specifications to be offered to customers has been determined upon comprehensive consideration on the analysis results of such survey and the prices of the Group in previous years and upon the review of the management of relevant departments or units. Each relevant departments or units will regularly track, monitor and evaluate the prices in order to ensure the standardization of the pricing basis, and where appropriate, further suggest price adjustments according to actual and expected market conditions. They will also be responsible for tracking and maintaining close relationships and good communications with customers, so that the management will be well informed of the market information and latest market developments in a timely manner.

Every individual contract between the Group and CR Land 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 management of the relevant members of the Group and the legal personnel of the Group will be responsible for reviewing every individual contract and its the basis of pricing. 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 caps of the relevant transactions every month and issuing warning to the Board, relevant departments and business units of the Group when the utilization rate of annual caps reaches 80%, which will facilitate the Board to consider implementation of relevant response measures such as the revision of annual caps. 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

The proposed annual caps (exclusive of taxes) for the contemplated sale of construction materials by the Group to CR Land Group under the Construction Materials Framework Agreement are RMB400.0 million, RMB500.0 million and RMB600.0 million (equivalent to approximately HK\$448.0 million, HK\$560.0 million and HK\$672.0 million respectively) for each of the three years ending 31 December 2023, 2024 and 2025 respectively. The original annual cap for the year ending 31 December 2023 set out under the “CR Land 2022-2023 Strategic Procurement Cooperation Agreement for Engineered Stones Made in China” and “CR Land 2022-2023 Strategic Procurement Cooperation Agreement for Imported Engineered Stones” dated 20 June 2022 entered into between Shenzhen Runfeng New Materials Technology Company Limited* (深圳市潤豐新材料科技有限公司), a wholly owned subsidiary of the Company, and China Resources Land Holdings Company Limited* (華潤置地控股有限公司) are superseded by the aforesaid annual cap for the year ending 31 December 2023.

The proposed annual caps have been determined with reference to, among others, the following factors: (i) the historical transaction amounts; (ii) the expected regions and scopes of cooperation between the parties; (iii) the quantity of construction materials supplied under prevailing individual contracts; and (iv) the expected increases in CR Land Group’s demand for construction materials and the level of cooperation between the parties for the upcoming three years.

Set out below are the approximate historical amounts of payments received by the Group from CR Land Group for the sale of construction materials:

	Approximate historical amounts	
	<i>RMB</i>	<i>HK\$ equivalent</i>
for the year ended 31 December 2020	17,112,000	19,166,000
for the year ended 31 December 2021	53,049,000	59,415,000
for the eleven months ended 30 November 2022	61,419,000	68,790,000

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group strives to achieve its development mission of “Building Another China Resources Cement” during the Fourteenth Five-Year period, and the proactive launch of strategic cooperation with CR Land Group is conducive to the rapid expansion of the Group’s business scale. The supply of construction materials of reliable quality of a wider variety at fair, reasonable and competitive prices to customers enhances the popularity and market reputation of the products and brands (including Runfeng and Runpin) of the Group, enables the Group to achieve high-quality sustainable development and the vision “to become a respected world-class building materials company” whilst supporting the development within CRH at the same time by relevant continuing connected transactions 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 customers.

All Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Construction Materials 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 Construction Materials 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, CRC, the controlling shareholder of the Company, indirectly holds approximately 59.55% of the shares issued by CR Land. Accordingly, CR Land is a connected person of the Company under Chapter 14A of the Listing Rules, and therefore, the transactions contemplated under the Construction Materials 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 of the Construction Materials Framework Agreement exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Construction Materials Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Construction Materials Framework Agreement and the transactions contemplated thereunder. None of the Directors abstained from voting on the relevant board resolutions approving the Construction Materials Framework Agreement and the transactions contemplated thereunder.

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

CR Land and CR Land Group

CR Land is incorporated in the Cayman Islands with limited liability and its shares are listed and traded on the main board of the Stock Exchange (stock code: 1109). As at the date of this announcement, approximately 59.55% of the shares issued by CR Land are ultimately owned by CRC. CR Land is principally engaged in the development and sales of developed properties, property investment and management, hotel operation and provision of construction, renovation and other services related to the property development. The CR Land Group is principally engaged in the development and sales of developed properties, property investments and management, hotel operations and the provision of construction, decoration and other property development related services 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 (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 ultimately owned by CRC. 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

CRC, the ultimate beneficial owner of the Company and CR Land, is a company established 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. CRC 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.

DEFINITIONS

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

“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;
“Construction Materials Framework Agreement”	the “Framework Agreement on the Project for the Purchase of Construction Materials by China Resources Land Limited and China Resources Cement Holdings Limited” dated 29 December 2022 entered into between the Company and CR Land;
“continuing connected transactions”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CR Land”	China Resources Land Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed and traded on the main board of the Stock Exchange (stock code: 1109);

“CR Land Group”	CR Land, its subsidiaries and connected companies;
“CRC”	China Resources Company Limited, a company established in PRC with limited liability and a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of PRC, the ultimate holding company of the Company and CR Land;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the intermediate holding company of the Company and CR Land, which is ultimately and wholly owned by CRC;
“Director(s)”	the director(s) of the Company;
“Group”	the Company, its subsidiaries and connected companies;
“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; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By order of the Board
CHINA RESOURCES CEMENT HOLDINGS LIMITED
JI Youhong
Chairman

Hong Kong, 29 December 2022

** In this announcement, the English names of the PRC 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\$1.12 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 Director is Mr. JI Youhong; the non-executive Directors are Mr. ZHU Ping, Mr. CHEN Kangren and Mr. YANG Changyi; and the independent non-executive Directors are Mr. IP Shu Kwan Stephen, Mr. SHEK Lai Him Abraham, Madam ZENG Xuemin and Mr. NG Kam Wah Webster.