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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
PURCHASE OF NATURAL GAS**

On 25 May 2023, CRC Fengkai (a wholly-owned subsidiary of the Company) and CRG Deqing entered into the Gas Supply Agreement, pursuant to which, CRC Fengkai shall purchase natural gas from CRG Deqing for a fixed term from 25 May 2023 to 31 December 2025.

The proposed annual caps of RMB50,000,000 per annum (equivalent to approximately HK\$55,500,000) (exclusive of tax) have been determined with reference to, among others, the following factors: (i) the level and quality of tailor-made services expected to be provided by CRG Deqing; (ii) the projected consumption of natural gas based on the business needs of the project for autoclaved aerated lightweight concrete blocks and panels of CRC Fengkai; and (iii) the prevailing unit purchase price of natural gas in the vicinity of CRC Fengkai.

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

On 25 May 2023, CRC Fengkai (a wholly-owned subsidiary of the Company) and CRG Deqing entered into the Gas Supply Agreement, pursuant to which, CRC Fengkai shall purchase natural gas from CRG Deqing for a fixed term from 25 May 2023 to 31 December 2025.

GAS SUPPLY AGREEMENT

(1) Date

25 May 2023

(2) Parties

- (a) CRC Fengkai; and
- (b) CRG Deqing.

(3) Term

A fixed term from 25 May 2023 to 31 December 2025.

(4) Subject Matter

CRC Fengkai shall purchase natural gas from CRG Deqing during the term of the Gas Supply Agreement based on the business needs of its project for autoclaved aerated lightweight concrete blocks and panels.

(5) Pricing

The relevant pricing of the Gas Supply Agreement was determined after arm's length negotiation by both parties and on normal commercial terms. Pursuant to the Gas Supply Agreement, CRC Fengkai will purchase natural gas from CRG Deqing at a floating unit price of the sum of the purchase cost of gas source and the fixed fee for gas distribution. Among which, the purchase cost of gas source is subject to adjustments on monthly basis according to the purchase cost of gas source of CRG Deqing of the particular settlement month, and the fixed fee for gas distribution is RMB0.58/m³ (inclusive of tax). Based on the existing market information, it is estimated that the average unit price is approximately RMB6.30/m³.

Pursuant to the Gas Supply Agreement, the minimum annual gas consumption volumes of CRC Fengkai in 2023, 2024 and 2025 will be 3,500,000 m³, 6,500,000 m³ and 6,500,000 m³ respectively. If the actual annual gas consumption volume of CRC Fengkai does not reach the corresponding minimum annual gas consumption volume stipulated in the Gas Supply Agreement, CRC Fengkai should pay compensation in respect of the fixed fee for gas distribution to CRG Deqing for the difference in gas consumption volume at the unit price of RMB0.58/m³.

If it is necessary to adjust the gas supply price and pricing model due to factors such as changes in national policies, changes in upstream pricing models or force majeure, CRG Deqing shall be entitled to make corresponding adjustments to the natural gas price stipulated in the Gas Supply Agreement.

(6) Payment Terms

The relevant payment terms of the Gas Supply Agreement was determined after arm's length negotiation by both parties and on normal commercial terms. CRC Fengkai should prepay the user account in advance in accordance with the the estimated gas consumption volume. Before the fifth day of each month, CRG Deqing shall issue a gas fee settlement statement for the previous month (including settlement price, actual gas fee and difference in gas fee, etc.). Upon confirmation by both parties on gas fee settlement statement in writing and full settlement of the difference in gas fee for the previous month, CRG Deqing shall then issue the gas fee value-added tax invoice (at the current tax rate of 9%) to CRC Fengkai.

INTERNAL CONTROL MEASURES

When the Group procures relevant products and services in its ordinary and usual course of business, it will select suppliers and determine the relevant procurement terms through negotiations based on the business needs of the project, the types and scale of the procurement. Before entering into the Gas Supply Agreement with CRG Deqing, CRC Fengkai had conducted research study on the market price fairness of the continuing connected transactions contemplated under the Gas Supply Agreement by obtaining the prevailing prices of other independent suppliers according to the Group's internal approval and monitoring procedures for continuing connected transactions. Upon comprehensive consideration of various assessment criteria (including but not limited to the level and quality of tailor-made services, suitability, pricing and payment terms) by the management of CRC Fengkai and review of the Gas Supply Agreement by the legal personnel of the Group, the Gas Supply Agreement and the continuing connected transactions contemplated thereunder were submitted to the Board for consideration and approval.

CRC Fengkai will regularly track, monitor and evaluate the prices in order to ensure the fairness of these continuing connected transactions, and will maintain close relationships and good communications with natural gas suppliers so that the management of CRC Fengkai will be well informed of the gas supply market information and latest gas supply market developments in a timely manner.

The finance department of CRC Fengkai 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. For the year ended 31 December 2021, the year ended 31 December 2022 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 the purchase of natural gas by CRC Fengkai from CRG Deqing are below 0.1%. Set out below are the approximate historical amounts of payments from CRC Fengkai to CRG Deqing for the purchase of natural gas in the past:

	Approximate historical amounts	
	<i>RMB</i>	<i>HK\$ equivalent</i>
for the year ended 31 December 2021	182,000	202,000
for the year ended 31 December 2022	172,000	191,000
for the three months ended 31 March 2023	693,000	769,000

The annual caps for the purchase of natural gas by CRC Fengkai from CRG Deqing contemplated under the Gas Supply Agreement for each of the three years ending 31 December 2025 is RMB50,000,000 per annum (equivalent to approximately HK\$55,500,000) (exclusive of tax).

The proposed annual caps have been determined with reference to, among others, the following factors: (i) the level and quality of tailor-made services expected to be provided by CRG Deqing; (ii) the projected consumption of natural gas based on the business needs of the project for autoclaved aerated lightweight concrete blocks and panels of CRC Fengkai; and (iii) the prevailing unit purchase price of natural gas in the vicinity of CRC Fengkai.

The continuing connected transactions contemplated under the Gas Supply Agreement are recurring in nature and will continue in the ordinary and usual course of business of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

CRG Deqing possesses the relevant qualifications and capabilities to supply gas to local companies under China Resources Group in Fengkai County, Zhaoqing City, Guangdong Province. It is currently providing stable and satisfactory natural gas for domestic use to the production plants of CRC Fengkai. Upon overall consideration of professional operation, personnel allocation, management safety and returns on investment, the Gas Supply Agreement will enable CRC Fengkai to procure natural gas for industrial use supplied by CRG Deqing to support the business for autoclaved aerated lightweight concrete blocks and panels, in order to ensure a steady source of natural gas supply which is of reliable quality, and to support the development within the China Resources 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.

All Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Gas Supply 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 Gas Supply 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, CRH, the controlling shareholder of the Company, indirectly holds approximately 61.46% of the shares issued by CR Gas. Accordingly, CR Gas and CRG Deqing are connected persons of the Company under Chapter 14A of the Listing Rules, and therefore, the transactions contemplated under the Gas Supply 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 Gas Supply Agreement exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Gas Supply 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.

Given the previous service of Mr. ZHU Ping and Mr. YANG Changyi at CR Gas, as good corporate governance measure, they absented themselves from the Board meeting when the Gas Supply 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 Gas Supply Agreement and the transactions contemplated thereunder or abstained from voting on the relevant board resolutions.

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

CR Gas and CRG Deqing

CR Gas is a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the main board of the Stock Exchange (stock code: 1193). As at the date of this announcement, approximately 61.46% of the shares issued by CR Gas are indirectly owned by CRH, which is in turn ultimately owned by CRC. CR Gas is an investment holding company which through its subsidiaries and jointly controlled entities in the PRC, operates city gas distribution projects in China including natural gas pipelines and compressed natural gas filling stations.

CRG Deqing is a company incorporated in PRC with limited liability and an indirect wholly-owned subsidiary of CR Gas. Its scopes of business include licensed projects: gas operation, gas vehicle refueling operation, construction engineering execution, construction engineering design, installation and repair of gas combustion appliances; general projects: manufacturing of gas appliances, sale of non-electrical household appliances, heat production and supply, sale of motor vehicle charging, operation of charging infrastructure for electrical motor vehicles, centralized fast charging stations, contracted energy management, photovoltaic power generation equipment leasing, technical services for solar power generation, as well as sale of station hydrogenation and hydrogen storage facilities.

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 Chinese Mainland and Hong Kong.

CRC Fengkai

CRC Fengkai is a company incorporated in PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Its scopes of business include the production and sale of cement, commodity clinker, cement-made products, autoclaved aerated lightweight concrete blocks, autoclaved aerated lightweight concrete slabs, adhesives, pre-mixed mortar, concrete structural components, limestone powder, manufactured sand and other new-type building materials; cement technology consultancy and equipment installation; mining, processing and sale of limestone; as well as earthwork construction.

CRC

CRC, the ultimate beneficial owner of the Company and CR Gas, 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. 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.

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;
“continuing connected transactions”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CRC Fengkai”	China Resources Cement (Fengkai) Limited (華潤水泥（封開）有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company;
“CR Gas”	China Resources Gas Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the main board of the Stock Exchange (stock code: 1193);
“CRG Deqing”	Deqing China Resources Gas Co., Ltd. (德慶華潤燃氣有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of CR Gas;
“CR Gas Group”	CR Gas and its subsidiaries;
“CRC”	China Resources Company Limited, a company established in PRC with limited liability, the ultimate holding company and ultimate beneficial owner of the Company and CR Gas;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the intermediate holding company of the Company and CR Gas, which is ultimately and wholly owned by CRC;
“Director(s)”	the director(s) of the Company;
“Gas Supply Agreement”	the Gas Supply Agreement entered into between CRC Fengkai and CRG Deqing on 25 May 2023;
“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; 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, 25 May 2023

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\$1.11 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. JI Youhong and Mr. JING Shiqing; 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.