

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 INORGANIC ENGINEERED STONES**

On 13 May 2020, Shenzhen Runfeng New Materials Technology Company Limited, the Company's wholly owned subsidiary, entered into the Strategic Cooperation Agreement with CR Land for a fixed term from 13 May 2020 to 31 December 2021, pursuant to which, CR Land designated Runfeng New Materials as the strategic supplier of inorganic engineered stones made in China during the term of the Strategic Cooperation Agreement.

In compliance with the Listing Rules, the Company has been closely monitoring the continuing connected transactions contemplated under the Strategic Cooperation Agreement 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 has been proactively expanding the new materials business and the production capacity of inorganic engineered stones. In early 2021, Runfeng New Materials completed the acquisition of approximately 58.8% equity interests of Universal Classical, and has been constructing production lines of inorganic engineered stones in Dongguan of Guangdong and Laibin of Guangxi, which has enabled Runfeng New Materials to substantially expand the scale of strategic cooperation with CR Land Group. The Directors therefore expect that such continuing connected transactions to be completed and settled 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 cap has 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 inorganic engineered stones supplied under prevailing individual contracts; (iv) the expected increases in CR Land Group's demand for inorganic engineered stones and the level of cooperation between the parties in the second half of 2021.

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

On 13 May 2020, Shenzhen Runfeng New Materials Technology Company Limited, the Company's wholly owned subsidiary, entered into the Strategic Cooperation Agreement with CR Land for a fixed term from 13 May 2020 to 31 December 2021, pursuant to which, CR Land designated Runfeng New Materials as the strategic supplier of inorganic engineered stones made in China during the term of the Strategic Cooperation Agreement, and individual contracts shall be entered into between Runfeng New Materials and relevant members of CR Land Group with reference to the individual contract template under the Strategic Cooperation Agreement.

## **STRATEGIC COOPERATION AGREEMENT**

### **(1) Date**

13 May 2020

### **(2) Parties**

- (a) CR Land; and
- (b) Runfeng New Materials.

### **(3) Term**

A fixed term from 13 May 2020 to 31 December 2021.

### **(4) Subject Matter**

CR Land designated Runfeng New Materials as the strategic supplier of inorganic engineered stones made in China during the term of the Strategic Cooperation Agreement. CR Land Group may elect to use the inorganic engineered stones products made in China supplied by Runfeng New Materials according to the needs of construction in progress, city development projects and cooperation projects with others. Places of product supplies include but are not limited to Northeast China Region, North China Region, East China Region, Central China Region, West China Region and South China Region, etc.

Individual contracts shall be entered into between Runfeng New Materials and relevant members of CR Land Group with reference to the individual contract template under the Strategic Cooperation Agreement to govern the specific terms such as materials to be supplied by Runfeng New Materials, specifications, quantities, pricing and payment, which shall be on normal commercial terms or better and arrived at upon arm's length negotiations.

## **(5) Pricing**

Although it is not part of the terms of the Strategic Cooperation Agreement, Runfeng New Materials generally adopts the following calculation method to determine the consolidated unit selling prices of the products: consolidated unit selling price = unit selling price of large boards / wastage rate + processing cost + delivery cost.

The Strategic Cooperation Agreement had specified the standards of specifications, unit selling prices of large boards, processing costs and delivery costs to each major cities for 26 types of commonly used large boards products with standard specifications; while the unit selling price of large boards of other products shall be negotiated separately by the parties on a case-by-case basis. The unit selling prices of all products shall be determined after arm's length negotiations upon appropriate adjustments on the basis of the standard price list of Runfeng New Materials after comprehensive consideration on, among others, factors including customers' procurement scales, demands for specifications, extra costs for tailor-made products, urgency for product supplies and payment terms.

## **(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 engineered stone industry, (i) Runfeng New Materials generally requires relevant members of CR Land Group to settle payment within 30 days of the date of invoice; (ii) the quality guarantee money is generally 3% to 5% of total product price, which may be settled by issuance of letter of quality guarantee or payment upon expiry of quality guarantee period.

## **INTERNAL CONTROL MEASURES**

The sales department of Runfeng New Materials 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 Runfeng New Materials, its subsidiaries and its associates in previous years. The management of Runfeng New Materials will then review and approve such standard prices.

The sales department of Runfeng New Materials 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 of Runfeng New Materials will be well informed of the market information and latest market developments in a timely manner.

Every individual contract between Runfeng New Materials 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 Runfeng New Materials and the legal and compliance department of the Company will be responsible for reviewing the basis of pricing of every individual contract.

The finance department of Runfeng New Materials 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 contemplated under the Strategic Cooperation Agreement through various internal control measures including the abovementioned internal approval and monitoring procedures as well as monthly reporting and monitoring. 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 has been proactively expanding the new materials business and the production capacity of inorganic engineered stones. In early 2021, Runfeng New Materials completed the acquisition of approximately 58.8% equity interests of Universal Classical, and has been constructing production lines of inorganic engineered stones in Dongguan of Guangdong and Laibin of Guangxi, which has enabled Runfeng New Materials to substantially expand the scale of strategic cooperation with CR Land Group. The Directors therefore expect that such continuing connected transactions to be completed and settled 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 cap (exclusive of taxes) for the contemplated supply of inorganic engineered stones made in China by Runfeng New Materials to CR Land Group under the Strategic Cooperation Agreement is RMB100,000,000 (equivalent to approximately HK\$120,000,000) for the year ending 31 December 2021.

The proposed annual cap has 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 inorganic engineered stones supplied under prevailing individual contracts; (iv) the expected increases in CR Land Group's demand for inorganic engineered stones and the level of cooperation between the parties in the second half of 2021.

Set out below are the approximate historical amounts of payments received by Runfeng New Materials from CR Land Group for the supply of inorganic engineered stones made in China pursuant to the terms of the individual contracts under the Strategic Cooperation Agreement:

## Approximate historical amounts

|                                       | <i>RMB</i> | <i>HK\$</i><br><i>equivalent</i> |
|---------------------------------------|------------|----------------------------------|
| for the year ended 31 December 2020   | 17,112,000 | 19,751,000                       |
| for the six months ended 30 June 2021 | 26,860,000 | 32,253,000                       |

## REASONS FOR AND BENEFITS OF THE TRANSACTION

Runfeng New Materials is mainly responsible for the operation and promotion of new products and new materials of the Group, bearing the Company's development missions of transformation, innovation and "Building Another China Resources Cement". At the initial stage of the Group's new materials business development, the proactive launch of strategic cooperation between Runfeng New Materials and CR Land is conducive to the rapid expansion of business scale of Runfeng New Materials. The supply of engineered stones products 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 brand of Runfeng New Materials, and supports 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 Strategic Cooperation 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 Strategic Cooperation 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 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 Strategic Cooperation 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 cap of the Strategic Cooperation Agreement exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation 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 Land and the Company, and given the senior management roles of Mr. LI Fuli and Madam WAN Suet Fei at CRH, as good corporate governance measure, these four Directors absented themselves from the Board meeting when the Strategic Cooperation Agreement, the transactions contemplated thereunder and its annual cap were discussed, voted and approved. Save as disclosed above, none of the Directors has any material interest in the Strategic Cooperation Agreement and the transactions contemplated thereunder.

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

### ***CR Land***

CR Land is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 1109). As at the date of this announcement, approximately 59.55% of the shares issued by CR Land are indirectly held by CRH, which in turn is ultimately owned by CRCL. The principal activities of CR Land Group are the development of properties for sale, property investments and management, hotel operations and the provision of construction, decoration services and other property development related services in PRC.

### ***Runfeng New Materials***

Shenzhen Runfeng New Materials Technology Company Limited\* (深圳市潤豐新材料科技有限公司) is a limited liability company incorporated in PRC and a wholly-owned subsidiary of the Company. It is principally engaged in the operation, marketing promotion and sale of new materials and new products of cement in PRC. Its major scopes of business include engineered stones, architectural concrete slabs, translucent concrete, water permeable stones and greener wood. The products are applied in various aspects including interior decoration, landscapes and decorative curtain walls.

### ***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 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 Land, 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.

## 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;   |
| “CR Land”                           | China Resources Land Limited, a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 1109);   |
| “CR Land Group”                     | CR Land, its subsidiaries and its joint ventures without controlling shareholding but with dominant operating rights;   |
| “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 Land, 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;   |
| “Runfeng New Materials”           | Shenzhen Runfeng New Materials Technology Company Limited* (深圳市潤豐新材料科技有限公司), a limited liability company incorporated in PRC, the Company’s wholly owned subsidiary;                        |
| “Strategic Cooperation Agreement” | the “CR Land 2020-2021 Strategic Procurement Cooperation Agreement for Inorganic Engineered Stones Made in China” dated 13 May 2020 entered into between Runfeng New Materials and CR Land; |
| “Stock Exchange”                  | The Stock Exchange of Hong Kong Limited;  |
| “Universal Classical”             | DongGuan Universal Classical Material Ltd.* (東莞環球經典新型材料有限公司), a limited liability company incorporated in PRC, the Company’s non-wholly owned subsidiary.                                   |

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

Hong Kong, 13 August 2021

*\* 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\$1.20 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 and after the retirement of Mr. ZHOU Longshan, the non-executive Directors are Mr. LI Fuli (Chairman), Mr. CHEN Ying, Mr. WANG Yan and Madam WAN Suet Fei; 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.*