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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)

**CONNECTED TRANSACTION  
ISSUANCE OF UNDERTAKING LETTER**

On 5 November 2021, CRC Investments and the Independent JV Partner jointly formed the Joint Venture owned as to 1% by CRC Investments which contributes capital in cash and 99% by the Independent JV Partner which contributes capital by the value of the Mining Rights and actual assets injected preliminarily.

CRC Investments and the Independent JV Partner are negotiating proposals for further cooperation to achieve the objective of obtaining control on the Mining Rights by CRC Investments through the acquisition of controlling shareholding in the Joint Venture. The conditions for cooperation proposed by the Independent JV Partner include, among others, CRC Investments' assistance to the Independent JV Partner on solving its financing needs and referral of suitable qualified financial institutions to provide funding to the Independent JV Partner.

Pursuant to the loan agreement dated 17 November 2021 entered into between CR Assets, a connected person of the Company, and the Independent JV Partner, CR Assets will provide a loan in the principal amount of RMB400.0 million (equivalent to approximately HK\$488.0 million) to the Independent JV Partner.

As one of the guarantee measures of the Loan, on 18 November 2021, CRC Investments issued the Undertaking Letter to CR Assets. In the event of the Independent JV Partner's failure to reach an agreement with the Group on the proposal for further cooperation which leads to its default in the Loan and CR Assets Group's application to the court for auction, sale or list for transfer by relevant authorities of the Mining Rights or the pledged shares of the Joint Venture at last, CRC Investments irrevocably undertakes to participate in the bid for the above assets for a bidding or selling or listed price of no more than RMB500.0 million (equivalent to approximately HK\$610.0 million). The Undertaking will facilitate the Group to lock in the potential commercial opportunity for obtaining the Mining Rights at a price which is better than the appraisal value of RMB901,448,000 (equivalent to approximately HK\$1,099,766,560).

As at the date of this announcement, CRCL, the controlling shareholder of the Company, indirectly holds 100% equity interests of CR Assets. Accordingly, CR Assets is a connected person of the Company under Chapter 14A of the Listing Rules, and therefore, the Undertaking offered by CRC Investments to CR Assets under the Undertaking Letter constitutes a connected transaction for the Company.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the cap of the Undertaking offered by CRC Investments to CR Assets under the Undertaking Letter exceed 0.1% but are less than 5%, the Undertaking offered by CRC Investments to CR Assets under the Undertaking Letter is only subject to the reporting, announcement and annual review requirements but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

On 5 November 2021, CRC Investments and the Independent JV Partner jointly formed the Joint Venture owned as to 1% by CRC Investments which contributes capital in cash and 99% by the Independent JV Partner which contributes capital by the value of the mining rights of the limestone quarry for construction aggregates in Shangdian, Yintai District, Tongchuan City, Shaanxi Province and actual assets injected preliminarily. The Mining Rights have a transfer duration of 26 years, cover a mining area of approximately 0.4876 km<sup>2</sup> with resource reserve of approximately 147,422,400 tons and planned annual production capacity of approximately 5.0 million tons.

CRC Investments and the Independent JV Partner are negotiating proposals for further cooperation to achieve the objective of obtaining control on the Mining Rights by CRC Investments through the acquisition of controlling shareholding in the Joint Venture. The conditions for cooperation proposed by the Independent JV Partner include, among others, CRC Investments' assistance to the Independent JV Partner on solving its financing needs and referral of suitable qualified financial institutions to provide funding to the Independent JV Partner.

On 17 November 2021, CR Assets, a connected person of the Company, and the Independent JV Partner entered into a loan agreement, pursuant to which CR Assets will provide a loan in the principal amount of RMB400.0 million (equivalent to approximately HK\$488.0 million) for a term of 6 months at the annualized rate of 12% to the Independent JV Partner subject to the fulfillment of various guarantee measures. The interests will be solely borne by the Independent JV Partner. The guarantee measures of the Loan include the pledge of the Mining Rights held by the Joint Venture and the shares of the Joint Venture held by the Independent JV Partner to the name of CR Assets Group, together with an undertaking letter to be issued by CRC Investments to CR Assets.

On 18 November 2021, CRC Investments issued the Undertaking Letter to CR Assets, pursuant to which, should the Independent JV Partner default which causes CR Assets Group to apply to the court for auction, sale or list for transfer by relevant authorities of the Mining Rights or the pledged shares of the Joint Venture at last, CRC Investments irrevocably undertakes that CRC Investments or its designated entity will participate in the bid for the above assets on the condition of securing full recovery of the principal and interests of the Loan by CR Assets and for a bidding or selling or listed price of no more than RMB500.0 million (equivalent to approximately HK\$610.0 million).

Should the Group achieve the acquisition of controlling shareholding in the Joint Venture within the term of the Loan, the Independent JV Partner will be able to use part of the consideration of the transaction to repay the full amount of principal and interests of the Loan, the Undertaking Letter and the Undertaking offered by CRC Investments to CR Assets thereunder will be released and the Group will obtain control on the Mining Rights through the controlling shareholding in the Joint Venture. In the event of the Independent JV Partner's failure to reach an agreement with the Group on the proposal for further cooperation which leads to its default in the Loan and CR Assets Group's application to the court for auction, sale or list for transfer by relevant authorities of the Mining Rights and the pledged shares of the Joint Venture at last, the Undertaking will facilitate the Group to lock in the potential commercial opportunity for obtaining the Mining Rights at a price which is better than the appraisal value.

## **MAJOR TERMS OF THE UNDERTAKING**

**(1) Date**

18 November 2021

**(2) Promisor**

CRC Investments

**(3) Promisee**

CR Assets

**(4) Term**

From the date of issuance of the Undertaking Letter to 17 November 2022.

**(5) The Undertaking**

In the event of the Independent JV Partner's default which causes CR Assets Group to apply to the court for auction, sale or list for transfer by relevant authorities of the Mining Rights or the pledged shares of the Joint Venture at last, CRC Investments irrevocably undertakes that CRC Investments or its designated entity will participate in the bid for the above assets on the condition of securing full recovery of the principal and interests of the Loan by CR Assets and for a bidding or selling or listed price of no more than RMB500.0 million (equivalent to approximately HK\$610.0 million).

## **CAP OF THE UNDERTAKING AND BASIS OF DETERMINATION**

In the event that the participation in the bid for the Mining Rights or the pledged shares of the Joint Venture will be required, the bidding or selling or listed price to be submitted by CRC Investments or its designated entity will be no more than RMB500.0 million (equivalent to approximately HK\$610.0 million).

According to the Mining Rights Appraisal Report (Xin Kuang Ping Bao Zi (2021) No. A00021) dated 17 November 2021 issued by Shanghai Lixin Appraisal Co., Ltd., an appraisal institution recognized by CR Assets and CRC Investments, the appraisal value of the Mining Rights was RMB901,448,000 (equivalent to approximately HK\$1,099,766,560) as of the valuation date on 31 October 2021, by way of discounted cashflow approach.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

Should the Group achieve the acquisition of controlling shareholding in the Joint Venture within the term of the Loan, the Independent JV Partner will be able to use part of the consideration of the transaction to repay the full amount of principal and interests of the Loan, the Undertaking Letter and the Undertaking offered by CRC Investments to CR Assets thereunder will be released and the Group will obtain control on the Mining Rights through the controlling shareholding in the Joint Venture. In the event of the Independent JV Partner's failure to reach an agreement with the Group on the proposal for further cooperation which leads to its default in the Loan and CR Assets Group's application to the court for auction, sale or list for transfer by relevant authorities of the Mining Rights and the pledged shares of the Joint Venture at last, the Undertaking will facilitate the Group to lock in the potential commercial opportunity for obtaining the Mining Rights at a price which is better than the appraisal value.

The resource reserves of aggregates mines in Tongchuan region are abundant, the regional transportation conditions are excellent, and the prospect of Xian market in Shaanxi province is broad. Through this project, the Group will obtain high-quality aggregates mining resources and accelerate its new business layout and synergy in Shaanxi province, which are consistent with the overall development strategy of the Company.

All Directors (including the independent non-executive Directors) are of the view that the Undertaking offered by CRC Investments to CR Assets under the Undertaking Letter is negotiated on arm's length basis, on normal commercial terms or better and in the ordinary and usual course of business of the Group, the terms and the cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION OF THE PARTIES TO THE TRANSACTION AND THEIR ULTIMATE BENEFICIAL OWNERS**

### ***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 wholly 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***

China Resources Cement Investments Limited, 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 Assets***

China Resources Assets Management Co., Ltd., a company incorporated in PRC with limited liability, is a platform under CRH for investments and operations of special assets, which is dedicated to the proper disposal of financial credit risks and the effective liquidizing of remnant inefficient assets in order to support and drive for regional development and construction and jointly build a sound financial ecosystem with partners. As at the date of this announcement, 100% equity interests of CR Assets are indirectly held by CRI through China Resources Capital Holdings Investment Co., Ltd.\* (華潤金控投資有限公司), which in turn CRI is ultimately wholly owned by CRCL.

### ***CRCL***

CRCL, the ultimate beneficial owner of the Company and CR Assets, 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 CRI, 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.



“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;
“connected transactions”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CR Assets”	China Resources Assets Management Co., Ltd., a company incorporated in PRC with limited liability, an indirect wholly owned subsidiary of CRI;
“CR Assets Group”	CR Assets and/or its designated entity;
“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 direct holding company of CRH, which is ultimately wholly 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;
“Independent JV Partner”	Tongchuan Huinengxin Energy Co., Ltd.* (銅川滙能鑫能源有限公司), a company incorporated in PRC with limited liability, holding 99% equity interests of the Joint Venture as at the date of this announcement;

“Joint Venture”	Tongchuan Runxin New Material Co., Ltd.* (銅川潤鑫新材料有限公司), a company incorporated in PRC with limited liability owned as to 99% by the Independent JV Partner and 1% by CRC Investments respectively;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	has the meaning ascribed thereto in the third paragraph of the section headed “Background” in this announcement;
“Mining Rights”	has the meaning ascribed thereto in the first paragraph of the section headed “Background” in this announcement;
“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;
“Undertaking”	has the meaning ascribed thereto in the section headed “Major Terms of the Undertaking – (5) The Undertaking” in this announcement;
“Undertaking Letter”	the undertaking letter dated 18 November 2021 issued by CRC Investments to CR Assets.

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

Hong Kong, 18 November 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\$1.22 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.*