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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, company secretary, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **China Resources Cement Holdings Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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**

### **PROPOSALS TO PROVIDE GREATER FLEXIBILITY IN INTRA-GROUP LENDING BETWEEN MEMBERS OF THE CHINA RESOURCES GROUP**

**Financial Adviser**

**ANGLO CHINESE** 英  
CORPORATE FINANCE, LIMITED 高

**Independent financial adviser to the independent shareholders  
and the independent board committee**



**Shenyin Wanguo Capital (H.K.) Limited**

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A notice convening the extraordinary general meeting of the Company to be held at 4/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 28 December 2010 at 10:00 a.m. is set out on page 33 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

6 December 2010

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“Board”	the board of directors of the Company
“China Resources Group”	CRC, CRH and their respective subsidiary companies
“China Resources Group listed company (or companies)”	any company (or companies) in the China Resources Group, which is (or are) listed on the Main Board of the Stock Exchange, other than 鄭州燃氣股份有限公司 (Zhengzhou Gas Company Limited*)
“China Resources Group unlisted companies”	CR Gas Holdings, CR Medications, CR Textile, CR Chemical and Fab2
“Company”	China Resources Cement Holdings Limited, an indirect subsidiary of CRH, incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CRC”	China Resources Co., Limited, a joint stock limited liability company incorporated in the PRC, which is the holding company of CRH and the banking and trust activities in which the China Resources Group has an interest
“CRE”	China Resources Enterprise, Limited, an indirect subsidiary of CRH, incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the holding company of the China Resources Group in Hong Kong, holding all the China Resources Group’s material interests apart from its banking and trust activities
“CR Chemical”	China Resources Chemicals Holdings Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in manufacturing and trading of chemical products in the PRC, as well as investment, development and management of chemical packaging material plants
“CR Gas”	China Resources Gas Group Limited, an indirect subsidiary of CRH, incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

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## DEFINITIONS

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“CR Gas Holdings”	China Resources Gas (Holdings) Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in investment, distribution and operation of city gas and related services in the PRC with focuses on piped natural and petroleum gas distribution, as well as compressed natural gas filling stations
“CR Land”	China Resources Land Limited, an indirect subsidiary of CRH, incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CR Medications”	China Resources Medications Group Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in medication research, production and distribution in the PRC with a wide range of products including Chinese medicine and herbs, synthetic medicine, biological medicine, natural and organic medicine, health products, pharmaceutical intermediates, medical equipment and pharmaceutical equipment
“CR Micro”	China Resources Microelectronics Limited, an indirect subsidiary of CRH, incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CR Power”	China Resources Power Holdings Company Limited, an indirect subsidiary of CRH, incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CR Textile”	China Resources Textiles (Holdings) Company Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in spinning and weaving, garment manufacturing and nylon production in the PRC with major business segments namely MAKO yarns, other yarns and fabrics, garments, nylon and dyeing
“CR Trust”	華潤深國投信託有限公司 (China Resources SZITIC Trust Co., Ltd.*), in which CRC controls 51% of its registered capital
“EGM”	an extraordinary general meeting of the Company to be held for the purpose of approving the Master Lending Agreements and the corresponding annual caps

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## DEFINITIONS

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“Fab2”	CSMC Asia Limited, an unlisted joint venture owned as to 81% and 19% by CRH and CR Micro respectively, that together with its subsidiaries are primarily engaged in 8-inch wafer fabrication
“Group”	the Company and its subsidiaries
“HIBOR”	the Hong Kong Inter-Bank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong and United States Dollar Master Loan Agreement”	the Master Loan Agreement and Guarantee for advances in Hong Kong Dollar and United States Dollar entered into by CRH, the China Resources Group listed and unlisted companies on 22 November 2010
“independent shareholders”	shareholders of the Company other than CRH and its associates, as defined in the Listing Rules
“Latest Practicable Date”	2 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LIBOR”	the London Inter-Bank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Master Lending Agreements”	the Hong Kong and United States Dollar Master Loan Agreement and the RMB Master Loan Agreement
“PBOC”	People’s Bank of China
“PRC”	The People’s Republic of China and for the purpose of this circular excluding Hong Kong and Macau
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Master Loan Agreement”	the Master Loan Agreement and Guarantee for advances in RMB entered into by CRC and the China Resources Group listed companies on 22 November 2010
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhuhai Commercial Bank”	珠海市商業銀行股份有限公司 (Zhuhai City Commercial Bank Co., Ltd.*), a municipal bank headquartered in Zhuhai, in which CRC has a 75.33% interest

*Note: The figures in RMB are converted into HK\$ at the rate of RMB0.86:HK\$1 throughout this circular for illustration purpose only.*

*\* Name translated for identification only in this circular.*

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## LETTER FROM THE BOARD

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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)

*Executive directors:*

Madam ZHOU Junqing (*Chairman*)  
Mr. ZHOU Longshan (*Chief Executive Officer*)  
Mr. LAU Chung Kwok Robert

*Non-executive directors:*

Mr. DU Wenmin  
Mr. WEI Bin

*Independent non-executive director:*

Mr. IP Shu Kwan, Stephen  
Mr. XU Yongmo  
Madam ZENG Xuemin  
Mr. LAM Chi Yuen

*Registered Office:*

PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*

44/F, China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

6 December 2010

*To the shareholders of the Company*

Dear Sir and Madam,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

Reference is made to the joint announcement of the China Resources Group listed companies dated 22 November 2010 in relation to, among other things, a proposal, if fully implemented, will give the Company greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries on a short-term basis to other China Resources Group companies through the operation of the Master Lending Agreements. The transactions contemplated under the Master Lending Agreements constitute non-exempted continuing connected transactions under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further information regarding the continuing connected transactions and to set out the advice from Shenyn Wanguo Capital (H.K.) Limited to the independent board committee and the independent shareholders of the Company in respect of the Master Lending Agreements and the relevant annual caps thereto, the recommendation from the independent board committee of the Company and to give the notice of EGM.

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## LETTER FROM THE BOARD

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### THE MASTER LENDING AGREEMENTS

#### The Hong Kong and United States Dollar Master Loan Agreement

Parties:	CRH, the China Resources Group listed and unlisted companies.
Date of agreement:	22 November 2010.
Date of commencement of agreement:	1 January 2011.
Term of the agreement:	Three years ending 31 December 2013, unless extended for a further period.
Lenders:	The China Resources Group listed companies and any subsidiary of any of such companies which has become a party to the Hong Kong and United States Dollar Master Loan Agreement by acceding to its terms, but excluding any entity which is incorporated in the PRC.
Borrowers:	CRH and the China Resources Group listed and unlisted companies and any subsidiary of any of them, permitted to borrow in either Hong Kong dollar or United States dollar, which has become a party to the Hong Kong and United States Dollar Master Loan Agreement by acceding to its terms, but excluding any entity which is incorporated in the PRC.
Guarantor(s):	CRH and, in the case of an advance to a subsidiary of a China Resources Group listed company, that company's listed holding company.
Aggregate amounts to be advanced:	The maximum aggregate amount outstanding lent by a China Resources Group listed company and its subsidiaries under the Master Lending Agreements is not permitted to exceed the amounts set out under the section below headed "Annual caps under the Master Lending Agreements".
Repayment date:	The repayment date for an advance made under this agreement shall be no later than six months after the date of advance.



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## LETTER FROM THE BOARD

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Interest rate in respect of Hong Kong dollar advances:	The rate per annum as determined by the lender being the aggregate of (i) the relevant HIBOR for such a Hong Kong dollar advance; and (ii) a margin (which must not be a negative number). The interest rate shall not be less than the higher of (i) the rate at which CRH or a corporate borrower of similar standing is able to borrow in such currency and such amount from a bank or a financial institution for the relevant period and (ii) the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant amount and period.
Interest rate in respect of United States dollar advances:	The rate per annum as determined by the lender being the aggregate of (i) the relevant LIBOR for such a United States dollar advance; and (ii) a margin (which must not be a negative number). The interest rate shall not be less than the higher of (i) the rate at which CRH or a corporate borrower of similar standing is able to borrow in such currency and such amount from a bank or a financial institution for the relevant period and (ii) the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant amount and period.
Guarantee:	All advances will be unconditionally and irrevocably guaranteed by the guarantor(s).
Early repayment:	Both the lender and the borrower may by giving ten business days' written notice require the repayment or prepayment of the advance, as the case may be, together with accrued interest.
Basis of lending:	All advances under this agreement will be made at the sole discretion of the lender. No security over the assets of the borrower will be provided. All advances will become immediately repayable on demand upon the occurrence of an acceleration event which includes non-payment by the borrower; breaches of the agreement by the borrower which have not been rectified in the specified period; cross-default in a material amount; the enforcement of security; insolvency; dissolution; repudiation; CRH ceasing directly or indirectly to be the single largest shareholder of the relevant borrower; or on the occurrence of a material adverse change as stated in the Hong Kong and United States Dollar Master Loan Agreement in respect of the relevant borrower.

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## LETTER FROM THE BOARD

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### **RMB Master Loan Agreement**

Parties:	CRC and the China Resources Group listed companies.
Date of agreement:	22 November 2010.
Date of commencement of agreement:	1 January 2011.
Term of agreement:	Three years ending 31 December 2013, unless extended for a further period.
Entrustment agents:	A commercial bank or financial institution in the PRC permitted to enter into entrusted loan agreements, including Zhuhai Commercial Bank and CR Trust.
Lenders:	Any PRC incorporated subsidiary of a China Resources Group listed company, which has become a party to the RMB Master Loan Agreement by acceding to its terms.
Borrowers:	CRC and any PRC incorporated subsidiary of a China Resources Group listed or unlisted company which has become a party to the RMB Master Loan Agreement by acceding to its terms, but excluding Zhuhai Commercial Bank and CR Trust.
Guarantor:	CRC.
Aggregate amounts to be advanced:	The maximum aggregate amount outstanding lent by a China Resources Group listed company and its subsidiaries under the Master Lending Agreements is not permitted to exceed the amounts set out under the section below headed "Annual caps under the Master Lending Agreements".
Repayment date:	The repayment date for an advance made under this agreement shall be no later than six months after the date of advance.
Interest rate:	The rate per annum as determined by the lender being the relevant lending rate as permitted by the PBOC from time to time. The interest rate shall be no less than 95% of the rate at which CRC or a corporate borrower of similar standing is able to borrow in RMB such amount from a bank or a financial institution for the relevant period and shall not be less than the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant amount and period.

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## LETTER FROM THE BOARD

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- Entrustment agent fees: All fees charged by the entrustment agent to the lender will be reimbursed by the relevant borrower.
- Guarantee: All advances will be unconditionally and irrevocably guaranteed by the guarantor.
- Best endeavours: If CRC makes a payment to a lender or an entrustment agent in connection with the RMB Master Loan Agreement due to a breach by a borrower, which is a subsidiary of a China Resources Group listed company, such China Resources Group listed company will use its best endeavours to procure that the borrower shall have sufficient funds to, and does, promptly reimburse CRC. This may include such listed company making payments by way of gift or capital contribution or shareholder loan to the borrower (to the extent permitted by PRC law).
- Basis of lending: Advances will take the form of an entrusted loan. Under an entrusted loan arrangement, the lender deposits the amount to be advanced to the entrustment agent which in turn pays the amount to be advanced to the borrower, for which the entrustment agent charges a facilitation commission. The lending risk is assumed by the lender which receives the interest paid by the borrower, less the deduction of agency fee. Subject to the entrusted loan agreement to be entered into between the lender, borrower and entrustment agent, all advances will become immediately repayable on demand with terms similar to those as stated in the Hong Kong and United States Dollar Master Loan Agreement and so as the early repayment by giving ten business days' written notice stated therein.

### **Annual caps under the Master Lending Agreements**

The annual caps for the maximum aggregate amount which can be lent at any time from the Group have been determined by the Company after assessing the maximum amount of exposure at any time which it is prepared to assume under the Master Lending Agreements in the context of the Company's estimated temporarily surplus cash resources.

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## LETTER FROM THE BOARD

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The annual caps for the second and third financial years have been increased by HK\$100 million from the previous year to reflect the underlying growth in the Group in the subsequent two years. The annual caps for the Group for the initial term of the Master Lending Agreements and a comparison of the cap with its gross cash and bank balances and with its size using the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are as follows:

<b>Annual cap for the year ending 31 December</b>			<b>Consolidated cash and bank balances as at 30 June 2010</b>	<b>Highest percentage ratio, excluding the profit ratio</b>
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>HK\$ million</b>	<b>%</b>
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
400.0	500.0	600.0	3,809.0	8.7%

### Restrictions on lending by the Company

The Company has entered into loan agreements with external financial institutions under which it is restricted from lending to any company outside of the Group. The respective caps stated above therefore cannot be utilised by the Company without prior consent from its external financial institutions. For as long as such restrictions remain in place, the Company will be precluded from lending under the Master Lending Agreements.

### Financial condition of the guarantors

All advances to China Resources Group listed and unlisted companies will be guaranteed by either CRC or CRH, depending on the currency of the advance. Both guarantors are regarded as borrowers of undoubted standing in their own markets. CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Rating Co., Ltd.. The summary of consolidated financial positions of CRC and CRH are as follows:

	<b>CRH</b>		<b>CRC</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>RMB billion</i>	<i>RMB billion</i>
Total assets	396.1	296.4	362.2	274.8
Cash and bank balances	54.9	27.0	52.2	26.2
Net asset value	167.1	136.9	135.3	111.1
Net attributable profit	9.8	6.7	6.3	4.8
Cash flow from operation	30.0	4.3	27.9	6.3

### Listing Rules implications of the Master Lending Agreements

For the Company, the Master Lending Agreements constitute non-exempt continuing connected transactions of a scale which requires the prior approval of independent shareholders voting by poll

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## LETTER FROM THE BOARD

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at the EGM. No directors of the Company have a material interest in the subject proposals that will be required to abstain from voting at the Board's meeting. The implementation of the Master Lending Agreements is conditional upon such approval but not inter-conditional on the approval of other China Resources Group listed companies. The Listing Rules also require that the arrangements under the Master Lending Agreements be subject to annual review by the independent non-executive directors of the Company and the Company's auditors.

### REASONS FOR, AND BENEFITS OF THE PROPOSALS

The Company has its own treasury operation responsible for arranging for the financing of its businesses and deploying its liquid resources. This basis of operation is intended to continue. The proposals, if they are implemented in full, will give the Group greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries to other China Resources Group companies, including CRC and CRH, through the operation of the Master Lending Agreements. Any advance will only be used by the borrower as short-term working capital, which is not a substitution for fulfilling the capital expenditure or long term financing.

The guiding principles behind the proposals are to:

- enable the Company to achieve a return on the Group's temporarily surplus cash resources of no less than the cost of borrowing of CRH or a corporate borrower of similar standing in respect of Hong Kong and United States dollar advances and, in the case of RMB advances, a return which is no less than a rate marginally lower than the cost of borrowing of CRC or a corporate borrower of similar standing from a bank or financial institution. Generally, these rates are substantially higher than the deposit rates available to the Company;
- permit the Group to borrow at a rate lower than it is likely to be able to obtain itself from banks and financial institutions;
- give priority to the operational at needs of the Group under these proposals. The initiative to lend to another China Resources Group company will be entirely at the discretion of the Company and there will be no obligation to lend under these arrangements;
- limit the amounts that can be lent under these arrangements so that they are well within the capacity of the Company and the guarantor, and reflect the scale of the temporarily surplus liquidity that is expected to be available from time to time to be lent under these arrangements;
- ensure that the assets of the Group are not placed at any significant risk as to the repayment of principal and the payment of interest. In addition to the guarantee of the China Resources Group listed company in respect of Hong Kong and United States dollars advances to any of its subsidiaries, all advances, other than advances made directly to CRC or CRH, will be guaranteed irrevocably and unconditionally by either CRC or CRH, depending on the currency of the advance. Both CRC and CRH are regarded as borrowers of undoubted standing in their own

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## LETTER FROM THE BOARD

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markets. CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Rating Co., Ltd.. In the event that the latest rating of CRC is reduced or placed on watch with negative implications, further advances under the Master Lending Agreements will be suspended;

- continue to manage the Company's treasury operation on a prudent basis as it has in the past. These treasury operations do not invest in the bonds or shares of independent third party issuers and, apart from conventional hedging and swaps, do not invest or trade in derivatives;
- ensure that it is a transparent process. Full information on all advances made during the period concerned, including the borrower, its immediate holding company, guarantor, amount, duration and interest rate, will be disclosed in the Company's interim and final reports;
- apply only to temporarily surplus cash resources. It is designed to enhance returns on temporarily surplus liquidity and is not a new usage for the cash resources of the Group. Dividend policy, dividend distributions and the deployment of liquidity for long-term investment and the expansion of the business will not be affected by these arrangements;
- confine advances for only short-term working capital purposes only so they will not be used as a substitute for long-term or permanent financing. The maximum duration of any advance will be six months, and no security over the assets of the borrower will be provided. All advances will be made on the basis that they are repayable on either the lender or borrower giving ten business day's notice; and
- avoid any foreign exchange risk.

### CHARACTERISTIC OF THE PROPOSALS

The Master Lending Agreements are designed to give the China Resources Group listed companies a greater flexibility in the management of their respective short term surplus cash resources. Unlike the centralised treasury arrangement commonly adopted by many Chinese conglomerates where the surplus cash resources of listed subsidiaries are deposited with a finance company owned by the holding company, which earns the margin between the prescribed deposit and lending rates in the PRC, the proposed arrangement under the Master Lending Agreements will allow the China Resources Group listed companies continue to operate their own treasury departments and will be able to lend a portion of their idle cash resources directly to fellow subsidiaries and thereby retaining the margin for themselves without bearing any significant credit risk.

Save for the enhancement of returns on temporarily surplus liquidity, there is no change to the manner in which the existing treasury operation will operate or the usage of cash resources of the China Resources Group listed companies. In the case of a centralised treasury function commonly adopted by other Chinese conglomerates, the finance company owned by the holding company controls the surplus cash resources of the listed subsidiaries, whereas under the Master Lending Agreements, each China Resources Group listed company can decide whether to lend to its fellow subsidiaries and if such advances are made, they will be disclosed on a semi-annual basis in order to enhance the transparency of this intra-group lending.

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## LETTER FROM THE BOARD

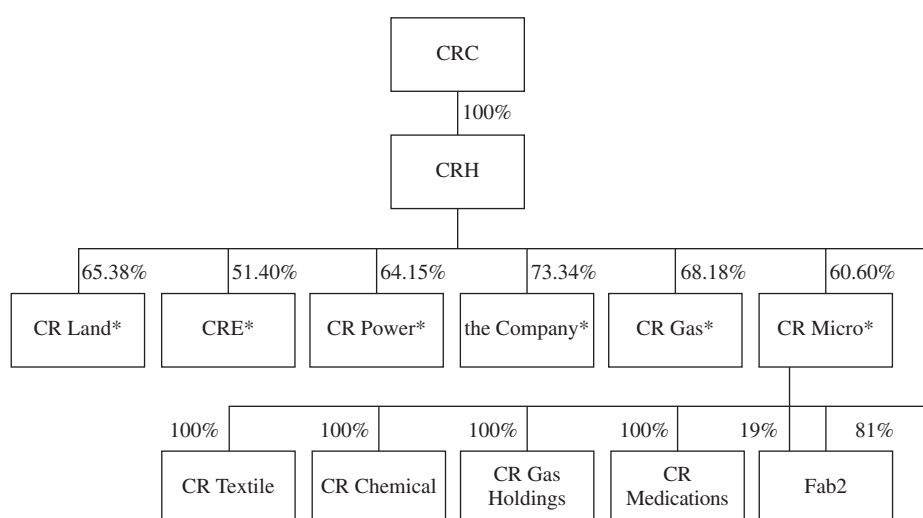
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### INFORMATION ON THE PARTIES

#### Simplified group structure

By virtue of CRC being the controlling shareholder of the China Resources Group listed and unlisted companies, they are connected persons to each of the China Resources Group listed companies as defined under the Listing Rules.

The following is a simplified chart showing the existing ownership and structure of CRC, CRH, the China Resources Group listed and unlisted companies as at the Latest Practicable Date:



\* company listed on the Stock Exchange

#### The Company

The Company and its subsidiaries are engaged in the production, distribution and sale of cement, clinker and concrete in Hong Kong and the PRC.

#### CRC

CRC, a borrower and guarantor under the RMB Master Loan Agreement, is the holding company of CRH. Its audited consolidated net asset value as at 31 December 2009 amounted to some RMB135 billion with total assets over RMB362 billion. CRC is a bond issuer in the PRC with a principal long term credit rating of AAA according to China Lianhe Rating Co., Ltd.. Other than its interest in CRH Zhuhai Commercial Bank and CR Trust, CRC also holds approximately 14.73% equity interest in China Vanke, being one of the largest property developers in the PRC, the shares of which are listed in Shenzhen Stock Exchange with a market capitalisation of some RMB91 billion as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **CRH**

CRH, a borrower and guarantor under the Hong Kong and United States Dollar Master Loan Agreement, is a conglomerate in Hong Kong and the PRC that is principally engaged in seven core businesses, namely consumer products, power, real estate, pharmaceuticals, cement, gas and financial services, as well as other operations including microelectronics, textiles, chemical products and compressors. Its audited consolidated total equity including non-controlling interests as at 31 December 2009 amounted to some HK\$167 billion with total assets over HK\$396 billion.

### **CR Land**

The principal business activity of CR Land is property investment, development and management in the PRC.

### **CRE**

CRE is a company with business emphasis on consumer businesses in China and Hong Kong. The core businesses of CRE are, namely retail, beer, beverage and food processing and distribution.

### **CR Gas**

CR Gas is an investment holding company which through its subsidiaries in the PRC, operates city gas distribution projects in China including natural or petroleum gas pipelines, CNG filling stations and bottled LPG distribution.

### **CR Micro**

CR Micro, through its subsidiaries, is principally engaged in integrated circuit (“IC”) open foundry operations as well as IC design, discrete devices and IC testing and packaging. Its operations are located primarily in Wuxi, Shenzhen, Shanghai, Beijing and Hong Kong.

### **CR Power**

CR Power, through its subsidiaries, is principally engaged in the investment, development, operation and management of power plants and investment and operation of coal mines in the PRC.

## **EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT**

The EGM will be convened at 4/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 28 December 2010 at 10:00 a.m.. A notice convening the EGM at which resolution will be proposed to the independent shareholders to consider, and if thought fit, to approve the Master Lending Agreements and the proposed annual caps is set out on page 33 of this circular. In accordance with the requirements of the Listing Rules, the votes to be taken at the EGM shall be conducted by poll. CRH, holding approximately 73.34% of the Company’s issued share capital as at the Latest Practicable Date, and its associates are required to abstain from voting at the meeting.



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## LETTER FROM THE BOARD

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A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy to the Company's head office at 44/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

### RECOMMENDATION

The directors of the Company, including the independent non-executive directors, consider that the continuing connected transactions under the Master Lending Agreements and the proposed annual caps are fair and reasonable, on normal commercial term and in the interests of the Company and its shareholders as a whole.

### FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully

By the order of the board of  
**China Resources Cement Holdings Limited**  
**ZHOU Junqing**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

6 December 2010

*To the independent shareholders of the Company*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 6 December 2010 (“the Circular”) to the shareholders of the Company, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the independent shareholders of the Company in relation to the Master Lending Agreements and the proposed annual caps. In this connection, Shenying Wangguo Capital (H.K.) Limited has been appointed as the independent financial adviser to advise on this matters.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 15 of the Circular which contains, inter alia, information about the terms of the Master Lending Agreements and the proposed annual caps, and the “Letter from the independent financial adviser” set out on pages 17 to 26 of the Circular which contains the advice from Shenying Wangguo Capital (H.K.) Limited in respect of the Master Lending Agreements and the proposed annual caps together with the principal factors taken into consideration in arriving at such.

Having considered the terms of the Master Lending Agreements and having taken into account the principal factors and reasons considered by the independent financial adviser as stated in its letter of advice, we consider that the terms of the Master Lending Agreements and the proposed annual caps are on normal commercial terms, are fair and reasonable so far as the independent shareholders are concerned and are in the interest of the Company and its shareholders as a whole. We therefore recommend the independent shareholders to vote in favour of the resolution in relation to the Master Lending Agreements and the proposed annual caps.

Yours faithfully,  
For and on behalf of  
the independent board committee

**Mr. IP Shu Kwan, Stephen**

**Mr. XU Yongmo**

**Madam ZENG Xuemin**

**Mr. LAM Chi Yuen**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from Shenyin Wanguo Capital (H.K.) Limited to the independent board committee and the independent shareholders of the Company prepared for the purpose of incorporation in this circular.*



### **Shenyin Wanguo Capital (H.K.) Limited**

28th Floor, Citibank Tower  
Citibank Plaza  
3 Garden Road  
Hong Kong

6 December 2010

*To the independent board committee and the independent shareholders of  
China Resources Cement Holdings Limited*

Dear Sirs,

## **CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the independent board committee (the “Independent Board Committee”) and the independent shareholders (the “Independent Shareholders”) of the Company in respect of the Master Lending Agreements and the proposed annual caps relating thereto for each of the three years ending 31 December 2013, details of which are set out in the circular of the Company to the shareholders of the Company dated 6 December 2010 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless the context herein requires otherwise.

On 22 November 2010, CRH, the China Resources Group listed and unlisted companies entered into the Hong Kong and United States Dollar Master Loan Agreement. On the same day, CRC and the China Resources Group listed companies entered into the RMB Master Loan Agreement. The implementation of the proposals under the Master Lending Agreements is expected to provide greater flexibility in intra-group lending between members of the China Resources Group. The principal terms of the Master Lending Agreements are set out in the letter from the Board contained in the Circular (the “Letter from the Board”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As noted from the Letter from the Board, as at the Latest Practicable Date, the Company was owned as to 73.34% by CRH, a wholly-owned subsidiary of CRC. By virtue of CRC being the controlling shareholder of the China Resources Group listed and unlisted companies, they are connected persons to each of the China Resources Group listed companies as defined under the Listing Rules. The transactions contemplated under the Master Lending Agreements constitute non-exempt continuing connected transactions for the Company under the Listing Rules. CRH and its associates are required to abstain from voting at the EGM.

It is stated in the joint announcement of the China Resources Group listed companies dated 22 November 2010 that as all advances under the Master Lending Agreements represent financial assistance to be provided by connected persons where no security over the assets of the borrowers will be granted and on normal commercial terms or better, they are exempted continuing connected transactions under Rule 14A.65(4) of the Listing Rules for borrowers which are either China Resources Group listed companies or subsidiaries of such companies. Accordingly, all continuing connected transactions in respect of advances to be provided by connected persons to the Group under the Master Lending Agreements are not within the scope of our review.

Mr. IP Shu Kwan, Stephen, Mr. XU Yongmo, Madam ZENG Xuemin and Mr. LAM Chi Yuen, being all the independent non-executive directors of the Company, have been appointed by the Board to serve as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the Master Lending Agreements and the proposed annual caps relating thereto.

### **BASIS OF OPINION**

In formulating our opinion, we have relied on the information and facts supplied, and the opinions and representations expressed to us by the Company and the directors of the Company (the “Directors”), and the statements, information, opinions and representations contained or referred to in the Circular. We have assumed that all such information, facts, opinions and representations, which have been provided by the Company and the Directors, and for which they are solely and wholly responsible, were true, accurate and complete at the time they were made and will continue to be true at the date of the EGM. We have also assumed that all statements and information supplied, and opinions and representations made by the Directors and the management of the Company were reasonably made after due enquiry. We have been advised by the Directors and the management of the Company that no material facts have been withheld or omitted from the information provided by them or referred to in the Circular. We have relied on such information and consider that we have reviewed sufficient information to justify our reliance on such information and to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Company and the Directors, nor have we carried out any independent investigation into the business or affairs or future prospects of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INFORMATION ON THE GROUP, CRC, CRH AND OTHER CHINA RESOURCES GROUP LISTED COMPANIES

#### **The Group**

The Group is engaged in the production, distribution and sale of cement, clinker and concrete in Hong Kong and the PRC.

#### **CRC**

CRC is the holding company of CRH. Its audited consolidated net asset value as at 31 December 2009 amounted to some RMB135 billion with total assets over RMB362 billion. CRC is a bond issuer in the PRC with a principal long term credit rating of AAA according to China Lianhe Credit Rating Co., Ltd. Other than its interest in Zhuhai Commercial Bank and CR Trust, CRC also holds approximately 14.73% equity interest in China Vanke, being one of the largest property developers in the PRC, the shares of which are listed on Shenzhen Stock Exchange with a market capitalisation of some RMB91 billion as at the Latest Practicable Date.

#### **CRH**

CRH is a conglomerate in Hong Kong and the PRC that is principally engaged in seven core businesses, namely consumer products, power, real estate, pharmaceuticals, cement, gas and financial services, as well as other operations including microelectronics, textiles, chemical products and compressors. Its audited consolidated total equity including non-controlling interests as at 31 December 2009 amounted to some HK\$167 billion with total assets over HK\$396 billion.

#### **CRE**

CRE is a company with business emphasis on consumer businesses in the PRC and Hong Kong. The core businesses of CRE are retail, beer, beverage and food processing and distribution.

#### **CR Power**

CR Power, through its subsidiaries, is principally engaged in the investment, development, operation and management of power plants and investment and operation of coal mines in the PRC.

#### **CR Land**

The principal business activity of CR Land is property investment, development and management in the PRC.

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### CR Gas

CR Gas is an investment holding company which through its subsidiaries in the PRC, operates city gas distribution projects in the PRC including natural or petroleum gas pipelines, compressed natural gas filling stations and bottled liquefied petroleum gas distribution.

### CR Micro

CR Micro, through its subsidiaries, is principally engaged in integrated circuit open foundry operations as well as integrated circuit design, discrete devices and integrated circuit testing and packaging. Its operations are located primarily in Wuxi, Shenzhen, Shanghai, Beijing and Hong Kong.

A simplified chart showing the existing ownership and structure of CRC, CRH, the China Resources Group listed and unlisted companies as at the Latest Practicable Date is set out in the Letter from the Board.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Master Lending Agreements and the proposed annual caps relating thereto for each of the three years ending 31 December 2013, we have taken the following factors and reasons into consideration:

### 1. Reasons for entering into the Master Lending Agreements

The Directors believe that, through the operation of the Master Lending Agreements, the Group will be given greater flexibility in enhancing its return on its temporarily surplus cash resources by lending a portion thereof on a short-term basis to other China Resources Group companies. Pursuant to the Master Lending Agreements, the Group may at its discretion, but is not obliged to, lend to other China Resources Group companies. The maximum duration of any advance will be six months and all advances will be made on the basis that they are repayable on either the lender or borrower giving ten business days' notice.

As disclosed in the Letter from the Board, one of the guiding principles behind the proposals is to enable the Company to achieve a return on its temporarily surplus cash resources of no less than the cost of borrowing of CRH or a corporate borrower of similar standing in respect of Hong Kong and United States dollar advances and, in the case of RMB advances, a return which is no less than a rate marginally lower than the cost of borrowing of CRC or a corporate borrower of similar standing from a bank or financial institution. As advised by the Company, generally these rates are substantially higher than the deposit rates available to the Group. The mechanisms for setting the lending rates under the Master Lending Agreements are discussed in the paragraph headed "Intra-group lending rates" below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that the lending rates under the Master Lending Agreements are determined with reference to (i) HIBOR and LIBOR in respect of Hong Kong and United States dollar advances respectively; and (ii) the prescribed PBOC lending rate in the case of RMB advances. As advised by the Directors, HIBOR and LIBOR are widely used as benchmarks by commercial banks in determining loan interest rates of corporate borrowers. We also understand from the Company that the financial institutions in the PRC may set their loan interest rates within a specified range of the lending rates as stipulated by the PBOC from time to time. In addition, we note the lending rates under the Master Lending Agreements are determined with reference to the lending rates being offered to CRH in respect of Hong Kong and United States dollar loans and the lending rates being offered to CRC in the case of RMB loans by a commercial bank or a financial institution, which are the market rates determined by a third party lender. The Directors have also confirmed that the lending rates to be charged by the Group under the Master Lending Agreements will be higher than the deposit rates which the Group could have obtained from a bank or a financial institution in relation to the relevant currency for the relevant amount and period. In view of the above, we consider that (i) the entering into of the Master Lending Agreements would give the Group greater flexibility in the management of its surplus cash resources and provide an opportunity for the Group to increase its overall revenue by enhancing its return on its temporarily surplus cash resources and is in the interests of the Company and the Independent Shareholders as a whole; and (ii) the lending rates determined using the abovementioned bases are on normal commercial terms.

### 2. Guarantee to be provided under the Master Lending Agreements

Under the Master Lending Agreements, no security over the assets of the borrower will be provided. Nevertheless, in addition to the guarantee of the China Resources Group listed company in respect of Hong Kong and United States dollar advances to any of its subsidiaries, all advances, other than advances made directly to CRC or CRH, will be guaranteed irrevocably and unconditionally by either CRC or CRH, depending on the currency of the advance. As confirmed by the Directors, the amount of exposure at any time which the Group will assume under the Master Lending Agreements will be limited to the amounts of the proposed annual caps of HK\$400 million, HK\$500 million and HK\$600 million for each of the three years ending 31 December 2013 respectively. Set out below is certain unaudited consolidated financial information of the China Resources Group listed companies (other than the Company) as extracted from their respective interim reports for the six months ended 30 June 2010.

	<b>As at 30 June 2010</b>		
	<b>Cash and bank balances</b>	<b>Total assets</b>	<b>Equity attributable to owners of the company</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
CRE	14,342,000	82,903,000	29,270,000
CR Power	6,639,656	131,863,949	38,992,797
CR Land	15,471,800	108,718,831	40,984,132
CR Gas	2,975,187	11,340,723	1,338,740
CR Micro	1,381,797	7,468,545	3,395,189

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Moreover, based on the information provided by the Company, the consolidated financial positions of CRC and CRH are summarised as follows:

	<b>CRH</b>		<b>CRC</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<i>HK\$ billion</i>	<i>HK\$ billion</i>	<i>RMB billion</i>	<i>RMB billion</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total assets	396.1	296.4	362.2	274.8
Cash and bank balances	54.9	27.0	52.2	26.2
Net asset value	167.1	136.9	135.3	111.1
Profit for the year attributable to shareholders	9.8	6.7	6.3	4.8
Cash flow from operation	30.0	4.3	27.9	6.3

We also note that CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Credit Rating Co., Ltd. In the event that the latest rating of CRC is reduced or placed on watch with negative implications, further advances under the RMB Master Loan Agreement will be suspended.

Having considered (i) the maximum exposure that the Group will assume under the Master Lending Agreements; (ii) the guarantee of the China Resources Group listed company in respect of Hong Kong and United States dollar advances to any of its subsidiaries; (iii) the unconditional and irrevocable guarantee to be given by either CRC or CRH, depending on the currency of the advance; and (iv) the financial positions of the guarantors set out above, we are of the view that safeguards have been put in place to ensure that the Group will not assume any significant risk with respect to the repayment of principal and the payment of interest under the Master Lending Agreements.

### 3. Cash flow management of the Group

As disclosed in the prospectus of the Company dated 21 September 2009, the Group centrally manages its capital to ensure proper and efficient collection and deployment of its funds. Specifically, each of the Company's subsidiaries submits to the financial department at the Group's headquarters (i) its three-year budget plan each year; and (ii) its management account, statements of comprehensive income, consolidated statements of financial position and consolidated statements of cash flow on a monthly basis. The financial department at the Group's headquarters reviews each of these items carefully to ensure each subsidiary secures a sufficient amount of working capital and executes its budget plan accurately. Further, the Group uses a consolidated annual budget which is supplemented by quarterly and monthly cash flow rolling projections to control its current cash inflow and outflow. The Group also uses a one to three year budgeting system to monitor its cash flow, which covers



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production and operational costs, construction cost for its production facilities as well as realisation of turnover from its sales and financing plans. All disbursements of funds require the approval of the appropriate managers. The Group also reviews its capital requirements and payment schedules on a monthly basis to ensure it has secured sufficient funds.

As advised by the Company, the Group will continue to manage its treasury operation on a prudent basis as it has in the past. According to the Directors, the Company has entered into loan agreements with external financial institutions under which it is restricted from lending to any company outside of the Group. The proposed annual caps relating to the Master Lending Agreements therefore cannot be utilised by the Company without prior consent from the relevant external financial institutions. For as long as such restrictions remain in place, the Company will be precluded from lending under the Master Lending Agreements. In any event, the Group has no obligation to lend to other China Resources Group companies under the Master Lending Agreements. The initiative to lend to another China Resources Group company will be entirely at the discretion of the Group. The Directors have confirmed that (i) the Group's own operational needs will be given priority over the utilisation of temporarily surplus cash resources under the Master Lending Agreements; and (ii) the Company's dividend policy, dividend distributions and the deployment of liquidity for long-term investment as well as the expansion of the Group's business will not be affected by these arrangements. As advised by the Company, the proposals are also designed to avoid foreign exchange risk by (i) excluding any entity which is incorporated in the PRC to act as either lender or borrower under the Hong Kong and United States Dollar Loan Agreement; and (ii) permitting only PRC incorporated entity to act as lender or borrower under the RMB Master Loan Agreement. We have been advised by the Company that the financial department at the Group's headquarters, which is responsible for reviewing the overall cash flow position of the Group from time to time, will communicate with the Chief Financial Officer of the Company in case there are surplus cash resources that can be deployed for intra-group lending under the Master Lending Agreements, provided that the lending restrictions under the Company's loan agreements as mentioned above are no longer in place. The Chief Financial Officer will determine whether it is appropriate to lend out the surplus cash and negotiate the terms of the advances with the borrower. As confirmed by the Directors, all advances made under the Master Lending Agreements require the approval of the Board. Moreover, the financial department at the Group's headquarters will monitor all intra-group advances under the Master Lending Agreements and ensure that the relevant annual caps will not be exceeded.

In view of the above, we consider that the mechanism for approval of loans under the Master Lending Agreements is acceptable.

#### **4. Intra-group lending rates**

We note that the interest rate per annum to be determined by the Group as a lender under the Hong Kong and United States Dollar Loan Agreement is the aggregate of (i) the relevant HIBOR for such a Hong Kong dollar advance or the relevant LIBOR for such a United States dollar advance; and (ii) a margin (which must not be a negative number). Further, the interest rate shall not be less than the higher of (i) the rate at which CRH or a corporate borrower of similar standing is able to borrow

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in the relevant currency and the relevant amount from a bank or a financial institution for the relevant period; and (ii) the deposit rate which the Group could have obtained from a bank or a financial institution for such relevant amount and period. Pursuant to the Hong Kong and United States Dollar Loan Agreement, the maximum duration of any advance will be six months. As at the Latest Practicable Date, 1-month HIBOR and 6-month HIBOR stood at 0.20% and 0.41% per annum respectively whereas 1-month LIBOR and 6-month LIBOR for United States dollar stood at 0.26563% and 0.46531% per annum respectively. Based on the information provided by the Company, the interest rates at which CRH is currently able to borrow in Hong Kong dollar and United States dollar from a bank or a financial institution in respect of loans with duration of not more than six months are substantially higher than the deposit rates available to the Group. As advised by the Company, the respective interest rates in respect of the Group's current bank deposits denominated in Hong Kong dollar and United States dollar with maturity within six months from initial inception are 0.02% and 0.01% per annum.

Moreover, the interest rate per annum to be determined by the Group as a lender under the RMB Master Loan Agreement is the relevant lending rate as permitted by the PBOC from time to time. The interest rate shall be no less than 95% of the rate at which CRC or a corporate borrower of similar standing is able to borrow in RMB and such amount from a bank or a financial institution for the relevant period and shall not be less than the deposit rate which the Group could have obtained from a bank or a financial institution for such relevant amount and period. We understand from the Company that the interest rate in respect of RMB advances may be slightly lower than the prescribed PBOC lending rate to provide an incentive for the borrower to borrow from other China Resources Group companies and to cover the cost of the entrustment agency fee which usually ranges from 0.01% to 0.03%. As set out in the Letter from the Board, advances under the RMB Master Loan Agreement will take the form of an entrusted loan, and all fees charged by the entrustment agent to the lender will be reimbursed by the relevant borrower. The Directors have advised that entrusted loan arrangements are common in the PRC and the interest rate in respect of lending under the RMB Master Loan Agreement is not restricted by the RMB benchmark lending rates for financial institutions stipulated by the PBOC. Pursuant to the RMB Master Loan Agreement, the maximum duration of any advance will be six months. We note that effective from 20 October 2010, the RMB benchmark lending rate stipulated by the PBOC for loans with duration of not more than six months is 5.10%. Further, as advised by the Company, the cost of borrowing of CRC in RMB in respect of loans with duration of not more than six months is substantially higher than the deposit rates available to the Group. According to the information provided by the Company, the interest rate in respect of the Group's current RMB bank deposits with maturity within six months from initial inception is around 0.36% per annum.

The Directors consider that the mechanisms for setting the lending rates under the Master Lending Agreements as mentioned above will ensure that the interest rates to be charged by the Group will be higher than the deposit rates available to the Group. Having considered the above, we are of the view that the aforesaid mechanism is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Proposed annual caps

The annual caps of the transactions contemplated under the Master Lending Agreements for each of the three years ending 31 December 2013 proposed by the Directors are HK\$400 million, HK\$500 million and HK\$600 million respectively.

As advised by the Company, the annual caps for the maximum aggregate amount which can be lent at any time by the Group have been determined by the Company after assessing the maximum amount of exposure at any time which it is prepared to assume under the Master Lending Agreements in the context of the Group's estimated temporarily cash resources.

Set out below are the consolidated cash and bank balances of the Company at the end of each of the three financial years ended 31 December 2009 and as at 30 June 2010 respectively.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Cash and bank balances	339,013	363,590	5,723,061	3,808,821

We have been advised by the Company that the Group's cash and bank balances as at 30 June 2010 comprised the unused balance of the proceeds obtained from the initial public offering of the shares of the Company in September 2009 in the amount of HK\$1971.6 million ("Unused IPO Funds"). The Directors have confirmed that the Unused IPO Funds will not be deployed for intra-group lending under the Master Lending Agreements.

The proposed annual cap of HK\$400 million for the year ending 31 December 2011 (the "2011 Cap") represents approximately 18.7% of the average consolidated cash and bank balances of the Company over the three years ended 31 December 2009 and about 10.5% of the Company's consolidated cash and bank balances as at 30 June 2010. The 2011 Cap also represents about 21.8% of the Company's consolidated cash and bank balances, net of the Unused IPO Funds, as at 30 June 2010. We note that the 2011 Cap does not represent a material portion of the cash and bank balances of the Group during the aforesaid periods. As advised by the Company, the annual caps for each of the two years ending 31 December 2013 will increase by HK\$100 million over that of the previous year to reflect the underlying growth in the Group during these two years. Such increment in the annual cap amounts represents an annual increase of 25% and 20% for the two years ending 31 December 2013 respectively (the "Cap Growth Rates"). We note that during the three years ended 31 December 2009, the revenue of the Group increased from HK\$3,743 million in 2007 to HK\$6,907 million in 2009, representing a compound annual growth rate ("CAGR") of about 35.8%. Moreover, during the same three-year period, profit attributable to owners of the Company grew with a CAGR of about 67.5% from HK\$360 million in 2007 to HK\$1,010 million in 2009. Taking into account the business growth of the Group during the past three years as mentioned above, we consider that the Cap Growth Rates are acceptable. Based on the foregoing, we are of the view that the basis of determining the proposed annual caps under the Master Lending Agreements is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Disclosure of information

As set out in the Letter from the Board, full information on all advances made during the period concerned, including the borrower, its immediate holding company, guarantor, amount, duration and interest rate, will be disclosed in the Company's interim and final reports. We are of the view that such disclosures will ensure that the shareholders of the Company will be kept informed of the intra-group lending transactions of the Group under the Master Lending Agreements.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the continuing connected transactions contemplated under the Master Lending Agreements, which are not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole; and (ii) the proposed annual caps relating thereto are fair and reasonable. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend to the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Lending Agreements and the proposed annual caps relating thereto.

Yours faithfully,  
For and on behalf of  
**Shenyin Wanguo Capital (H.K.) Limited**  
Tanny Chau  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and the short positions (within the meaning of the SFO) of the directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (a) Interests in issued ordinary shares and underlying shares of the Company

Name of director	Capacity	Long position/ Short position	Number of Shares held	Aggregate percentage of interest <sup>1</sup>
ZHOU Junqing	Beneficial owner	Long position	2,098,000	0.03%
ZHOU Longshan	Interest of spouse	Long position	1,000,000	0.02%

*Note:*

- This represents the percentage of the aggregate long positions in Shares and underlying Shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.

**(b) Interests in issued ordinary shares and underlying shares of associated corporations**

As at the Latest Practicable Date, certain directors of the Company had interests in the issued ordinary shares and underlying shares covered by options granted under the share option schemes of associated corporations (within the meaning of the SFO) of the Company, such options being unlisted physically settled equity derivatives:

*(i) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CRE:*

<b>Name of director</b>	<b>Long position/ Short position</b>	<b>Number of Shares held</b>	<b>Aggregate percentage of interest<sup>1</sup></b>
DU Wenmin	Long position	100,000	0.01%

*Note:*

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CRE to the total issued share capital of CRE as at the Latest Practicable Date.

*(ii) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Power:*

<b>Name of director</b>	<b>Long position/ Short position</b>	<b>Number of shares</b>	<b>Number of share options outstanding</b>	<b>Exercise Price</b>	<b>Date of grant</b>	<b>Aggregate percentage of interest<sup>1</sup></b>
ZHOU Junqing (Beneficial owner)	Long Position	70,864	—	—	—	0.01%
ZHOU Junqing (Interest of spouse)	Long Position	20,000	—	—	—	0.01%
ZHOU Longshan (Beneficial owner)	Long Position	0	48,864	2.75	6-10-2003	0.01%
ZHOU Longshan (Interest of spouse)	Long Position	0	12,216	2.75	6-10-2003	0.01%
LAU Chung Kwok Robert (Beneficial owner)	Long Position	31,032	—	—	—	0.01%
DU Wenmin (Beneficial owner)	Long Position	297,000	183,240	2.75	6-10-2003	0.01%

*Note:*

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Power to the total issued share capital of CR Power as at the Latest Practicable Date.

(iii) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Land:*

Name of director	Long position/ Short position	Number of shares	Number of share options outstanding	Exercise Price	Date of grant	Aggregate percentage of interest <sup>1</sup>
ZHOU Junqing (Beneficial owner)	Long position	30,000	—	—	—	0.01%
DU Wenmin (Beneficial owner)	Long position	790,000	250,000	1.23	1-6-2005	0.02%

*Note:*

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Land to the total issued share capital of CR Land as at the Latest Practicable Date.

(iv) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Gas:*

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest <sup>1</sup>
ZHOU Junqing (Beneficial owner)	Long position	34,800	0.01%
ZHOU Longshan (Beneficial owner)	Long position	6,000	0.01%
DU Wenmin (Beneficial owner)	Long position	54,000	0.01%

*Note:*

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Gas to the total issued share capital of CR Gas as at the Latest Practicable Date.

(v) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Micro:*

Name of director	Capacity	Number of Shares held	Aggregate percentage of interest <sup>1</sup>
ZHOU Junqing	Beneficial owner	1,539,600	0.02%
DU Wenmin	Beneficial owner	1,458,000	0.02%

*Note:*

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Micro to the total issued share capital of CR Micro as at the Latest Practicable Date.

Save as disclosed above, as at Latest Practicable Date, none of the directors or chief executives of the Company had any beneficial interest (including interests or short positions) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the directors or the chief executives were taken or deemed to have taken under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Capacity	No. of Shares held	Long/short position	Approximate % of shareholding
China Resources National Corporation <sup>(Note 1)</sup>	Interest of corporation controlled	4,781,051,462	Long position	73.34%
CRC <sup>(Note 1)</sup>	Interest of corporation controlled	4,781,051,462	Long position	73.34%
CRC Bluesky Limited <sup>(Note 1)</sup>	Interest of corporation controlled	4,781,051,462	Long position	73.34%
CRH <sup>(Note 1)</sup>	Interest of corporation controlled	4,781,051,462	Long position	73.34%
Smooth Concept Investments Limited <sup>(Note 1)</sup>	Beneficial owner	4,781,051,462	Long position	73.34%

*Note 1: China Resources National Corporation is the beneficial owner of the entire issued share capital of CRC, which in turn is the beneficial owner of the entire issued share capital of CRC Bluesky Limited, which in turn is the beneficial owner of the entire issued share capital of CRH, which in turn is the beneficial owner of the entire issued share capital of Smooth Concept Investments Limited. Smooth Concept Investments Limited directly held 4,781,051,462 shares representing 73.34% of the issued share capital of the Company.*

### 4. DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has any service contracts with the Company or any of its subsidiaries which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).



**5. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the directors of the Company had any interest, direct or indirect, in any assets which have been, since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

None of the directors of the Company was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, the directors of the Company were not aware that any of the directors or their respective associates has interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group which falls to be disclosed under the Listing Rules.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated accounts of the Group were made up.

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Shenyin Wanguo Capital (H.K.) Limited	A corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Shenyin Wanguo Capital (H.K.) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, Shenyin Wanguo Capital (H.K.) Limited did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The letter of advice given by Shenyin Wanguo Capital (H.K.) Limited is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Shenyin Wanguo Capital (H.K.) Limited did not have any direct or indirect interests in any assets which had been since 31 December 2009, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Group.

## **9. MISCELLANEOUS**

The English texts of this circular shall prevail over their respective Chinese texts in case of inconsistency.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the head office of the Company at 44/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Hong Kong and United States Dollar Master Loan Agreement;
- (b) the RMB Master Loan Agreement;
- (c) the letter from the independent board committee, the text of which is set out on page 16 in this circular;
- (d) the letter of advice from Shenyin Wanguo Capital (H.K.) Limited to the independent board committee and the independent shareholders of the Company, the text of which is set out on pages 17 to 26 in this circular; and
- (e) the written consent referred to in the section headed “Expert and consent” of this appendix.

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## NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of China Resources Cement Holdings Limited (the “**Company**”) will be held at 4/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 28 December 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT** the Master Lending Agreements (as defined in the circular of the Company dated 6 December 2010 of which this notice forms part (the “**Circular**”)) and the annual caps for the maximum aggregate amount which can be lent at any time from the Company together with its subsidiaries under the Master Lending Agreements be and are hereby approved.”

Yours faithfully

By the order of the board of  
**China Resources Cement Holdings Limited**  
**ZHOU Junqing**  
*Chairman*

Hong Kong, 6 December 2010

*Notes:*

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the head office of the Company at 44/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), any vote taken at a general meeting shall be taken by poll. The Company shall announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.