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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 TRANSACTIONS -
DIRECT POWER SUPPLY TRANSACTIONS**

DIRECT POWER SUPPLY TRANSACTIONS

Since this year, the Relevant Subsidiaries have had in the ordinary and usual course of their business entered into individual agreements with certain members of CR Power Group on normal commercial terms and on arm's length basis in relation to direct electricity supply in PRC to the Relevant Subsidiaries through the power grids designated by CR Power Group.

IMPLICATIONS UNDER THE LISTING RULES

Since CRH is a controlling shareholder of both CR Power and the Company, CR Power and its subsidiaries including CRP Haifeng and Yunnan CRP are connected persons of the Company under Chapter 14A of the Listing Rules, and therefore, the Direct Power Supply Transactions constitute connected transactions for the Company.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the maximum amounts payable by the Relevant Subsidiaries indirectly to the relevant members of CR Power Group under the Direct Power Supply Transactions exceed 0.1% but are less than 5% on an aggregate basis, the connected transactions are only subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Pursuant to The Pilot Interim Measures for Direct Power Supply between Users and Power Companies in Guangdong Province (Nan Fang Dian Jian Shi Chang [2013] No. 162)* (《廣東省電力用戶與發電企業直接交易暫行辦法》(南方電監市場[2013]162號)) and The Notice on Issuance of the Pilot Program for Direct Power Supply between Users and Power Companies in Yunnan Province (Yun Fa Gai Neng Yuan [2014] No. 1188)* (《關於印發雲南省電力用戶與發電企業直接交易試點方案的通知》(雲發改能源 [2014]1188號)), subject to qualification application and approval by the relevant authorities, major industrial electricity users may enter into agreements with certain power companies to directly purchase electricity from such power companies rather than from the provincial power grid companies. Since the members of the Group have a high demand for electricity, they fall under the scope of major industrial electricity users stipulated by the said measures.

Since this year, the Relevant Subsidiaries have had in the ordinary and usual course of their business entered into individual agreements with certain members of CR Power Group on normal commercial terms and on arm's length basis in relation to direct electricity supply in PRC to the Relevant Subsidiaries through the power grids designated by CR Power Group.

FENGKAI DIRECT POWER SUPPLY TRANSACTION

CRP Haifeng, CRC Fengkai and Guangdong Power Grid Company entered into an agreement for direct power supply on 1 January 2016 (the "**Fengkai Direct Power Supply Transaction**"). Principal terms of the Fengkai Direct Power Supply Transaction are set out below.

(1) Parties

- (a) CRP Haifeng as supplier;
- (b) CRC Fengkai as purchaser; and
- (c) Guangdong Power Grid Company as power grid operator.

(2) Term

From 1 January 2016 to 31 December 2016.

(3) Subject Matter

During the term of the agreement, CRC Fengkai shall, through Guangdong Power Grid Company, purchase from CRP Haifeng 25,000,000 kwh of electricity per month (i.e. 300,000,000 kwh in total for the year ended 31 December 2016).

(4) Fees and payment

The electricity fees payable are determined after arm's length negotiation and calculated on the following basis:

1. Electricity fees payable by CRC Fengkai to Guangdong Power Grid Company = the monthly amount of electricity utilized \times P1
2. Electricity fees payable by Guangdong Power Grid Company to CRP Haifeng = the monthly amount of electricity utilized \times P2

Where:

Monthly amount of electricity utilized = the actual amount of electricity utilized during the month (where the cumulative electricity utilized does not exceed the total annual contracted amount of electricity) or the remaining contracted amount of electricity (where the cumulative electricity utilized during the month exceeds the total annual contracted amount of electricity)

P1 = the tariff applicable to CRC Fengkai *less* RMB0.009/kwh (inclusive of value-added tax)

P2 = the unit on-grid tariff approved by the government, i.e. RMB0.4505/kwh *less* RMB0.009/kwh (inclusive of value-added tax)

The tariff applicable to CRC Fengkai may vary in different usage seasons in accordance with the tariff schedule announced by Guangdong Power Grid Company from time to time.

No direct payment will be made by CRC Fengkai to CRP Haifeng. All fees payable by CRC Fengkai shall be settled with Guangdong Power Grid Company in accordance with the usual practice for payment of electricity bills.

The amount of electricity to be purchased under the Fengkai Direct Power Supply Transaction was determined after taking into account the business needs and the projected electricity consumption of CRC Fengkai during the term of the agreement. The discount rate of RMB0.009/kwh offered by CRP Haifeng was in line with that offered by other independent third-party power suppliers.

Pursuant to the above terms, the maximum amount payable by CRC Fengkai indirectly to CRP Haifeng during the term of the Fengkai Direct Power Supply Transaction shall be RMB132,450,000 (equivalent to approximately HK\$154,966,500).

HEQING DIRECT POWER SUPPLY TRANSACTION

Yunnan CRP and CRC Midu entered into an agreement for direct power supply on 15 July 2016 (the “**Heqing Direct Power Supply Transaction**”). Principal terms of the Heqing Direct Power Supply Transaction are set out below.

(1) Parties

- (a) Yunnan CRP as supplier; and
- (b) CRC Heqing as purchaser.

(2) Term

From 1 August 2016 to 31 December 2016.

(3) Subject Matter

During the term of the agreement, CRC Heqing shall directly purchase 54,500,000 kwh of electricity from Yunnan CRP.

(4) Fees and payment

The electricity fees shall be settled on a monthly basis and shall be payable by CRC Heqing to Yunnan CRP through Yunnan Electric Power Company. No direct payment will be made by CRC Heqing to Yunnan CRP.

The electricity fees payable are determined after arm's length negotiation and calculated on the following basis:

Fees payable by CRC Heqing to Yunnan Electric Power Company = P3 + P4

Where

P3 = The unit price of electricity of RMB0.15404/kwh charged by Yunnan CRP \times the lowest of (i) the monthly actual amount of electricity utilized by CRC Heqing, (ii) the monthly actual amount of electricity directly supplied by Yunnan CRP and (iii) 103% of the contractual electricity supply volume for the relevant month

P4 = Service fee for power transmission and distribution and loss of electricity charged by Yunnan Electric Power Company.

The amount of electricity to be purchased under the Heqing Direct Power Supply Transaction was determined after taking into account the business needs and the projected electricity consumption of CRC Heqing during the term of the agreement. CRC Heqing had procured the lowest unit price of electricity from Yunnan CRP through tender and comparison of fee quotes from Yunnan CRP and other independent third-party power suppliers.

Pursuant to the above terms, the maximum amount payable by CRC Heqing indirectly to Yunnan CRP during the term of the Heqing Direct Power Supply Transaction shall be RMB8,647,035 (equivalent to approximately HK\$10,117,032).

MIDU DIRECT POWER SUPPLY TRANSACTION

Yunnan CRP and CRC Midu entered into an agreement for direct power supply on 15 July 2016 (the “**Midu Direct Power Supply Transaction**”). Principal terms of the Midu Direct Power Supply Transaction are set out below.

(1) Parties

- (a) Yunnan CRP as supplier; and
- (b) CRC Midu as purchaser.

(2) Term

From 1 August 2016 to 31 December 2016.

(3) Subject Matter

During the term of the agreement, CRC Midu shall directly purchase 75,000,000 kwh of electricity from Yunnan CRP.

(4) Fees and payment

The electricity fees shall be settled on a monthly basis and shall be payable by CRC Midu to Yunnan CRP through Yunnan Electric Power Company. No direct payment will be made by CRC Midu to Yunnan CRP.

The electricity fees payable are determined after arm’s length negotiation and calculated on the following basis:

Fees payable by CRC Midu to Yunnan Electric Power Company = P5 + P6

Where

P5 = The unit price of electricity of RMB0.15267/kwh charged by Yunnan CRP \times the lowest of (i) the monthly actual amount of electricity utilized by CRC Midu, (ii) the monthly actual amount of electricity directly supplied by Yunnan CRP and (iii) 103% of the contractual electricity supply volume for the relevant month

P6 = Service fee for power transmission and distribution and loss of electricity charged by Yunnan Electric Power Company.

The amount of electricity to be purchased under the Midu Direct Power Supply Transaction was determined after taking into account the business needs and the projected electricity consumption of CRC Midu during the term of the agreement. CRC Midu had procured the lowest unit price of electricity from Yunnan CRP through tender and comparison of fee quotes from Yunnan CRP and other independent third-party power suppliers.

Pursuant to the above terms, the maximum amount payable by CRC Midu indirectly to Yunnan CRP during the term of the Midu Direct Power Supply Transaction shall be RMB11,793,758 (equivalent to approximately HK\$13,798,696).

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Direct Power Supply Transactions will enable the Relevant Subsidiaries to secure electricity supply at a fair, reasonable and competitive price which is lower than the normal on-grid tariffs, which in turn reduces the operating costs of the Group.

All Directors (including the independent non-executive Directors) are of the view that the Direct Power Supply Transactions were negotiated on arm's length basis, the relevant terms are fair and reasonable, and the Direct Power Supply Transactions are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Since CRH is a controlling shareholder of both CR Power and the Company, CR Power and its subsidiaries including CRP Haifeng and Yunnan CRP are connected persons of the Company under Chapter 14A of the Listing Rules, and therefore, the Direct Power Supply Transactions constitute connected transactions for the Company.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the maximum amounts payable by the Relevant Subsidiaries indirectly to the relevant members of CR Power Group under the Direct Power Supply Transactions exceed 0.1% but are less than 5% on an aggregate basis, the connected transactions are only subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Due to the senior management roles of Mr. Zhou Longshan, Mr. Du Wenmin and Mr. Wei Bin at CRH, and given that Mr. Chen Ying and Mr. Wang Yan are the directors of both CR Power and the Company, these five Directors abstained from voting on the relevant board resolutions approving the Direct Power Supply Transactions and the relevant agreements. Save as disclosed above, none of the Directors has any material interest in the Direct Power Supply Transactions and the relevant agreements.

The Relevant Subsidiaries had procured direct power supply of the lowest costs through tender and comparison of fee quotes from various independent third-party power suppliers with those from relevant members of CR Power Group. As the procurement prices are cheaper than normal on-grid electricity fees, the Relevant Subsidiaries did not report to the Company in time. This resulted in the Company not having made an announcement under the Listing Rules on the dates of entering into the agreements for the connected transactions. Upon becoming aware of the Direct Power Supply Transactions, the Company has taken remedial actions to tighten its internal control procedures in order to prevent recurrence of a similar event. These measures include review by the management of the Company on the approval procedures of agreements for connected transactions to be entered into by each production plant, continuous refresher training on the Listing Rules and corporate governance to be provided to the management of the Company, education on requirements of connected transactions under the Listing Rules to be provided to the general managers and the senior management of operations of individual production plants of the Group, as well as review of the amounts of the Group's connected transactions by the management and the finance department of the Company on an ongoing basis.

INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in the production and sale of cement, clinker and concrete in PRC and Hong Kong. CRC Fengkai, CRC Heqing and CRC Midu are indirect subsidiaries of the Company in PRC which are principally engaged in the manufacture and sale of cement in Fengkai County of Guangdong Province, and Heqing County and Midu County of Yunnan Province.

CR Power

CR Power was incorporated in Hong Kong with limited liability and the shares of CR Power have been listed on the Stock Exchange since 12 November 2003. CR Power Group is principally engaged in the investment, development, operation and management of power plants and coal mines in PRC. CRP Haifeng and Yunnan CRP are indirect subsidiaries of CR Power which are principally engaged in the operation of power plants in PRC.

Guangdong Power Grid Company

Guangdong Power Grid Company is the operator of the southern power grid in Guangdong Province, PRC. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Guangdong Power Grid Company and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Yunnan Electric Power Company

Yunnan Electric Power Company is the operator of the southern power grid in Yunnan Province, PRC. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Guangdong Power Grid Company and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

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

“Company”	China Resources Cement Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed 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 Power”	China Resources Power Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the main board of the Stock Exchange (stock code: 836);
“CR Power Group”	CR Power and its subsidiaries;
“CRC Fengkai”	China Resources Cement (Fengkai) Limited* (華潤水泥（封開）有限公司), a limited liability company established in PRC and an indirect wholly-owned subsidiary of the Company;
“CRC Heqing”	China Resources Cement (Heqing) Limited, a limited liability company established in PRC and an indirect non-wholly-owned subsidiary of the Company;
“CRC Midu”	China Resources Cement (Midu) Limited, a limited liability company established in PRC and an indirect non-wholly-owned subsidiary of the Company;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company;

“CRP Haifeng”	China Resources Power (Haifeng) Co., Ltd.* (華潤電力(海豐)有限公司), a limited liability company established in PRC and an indirect wholly-owned subsidiary of CR Power;
“Direct Power Supply Transactions”	collectively, the Fengkai Direct Power Supply Transaction, the Heqing Direct Power Supply Transaction and the Midu Direct Power Supply Transaction, and each a “Direct Power Supply Transaction”;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guangdong Power Grid Company”	Guangdong Power Grid Company* (廣東電網有限責任公司), the operator of the southern power grid in Guangdong Province, PRC;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“kwh”	kilowatt-hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “China”	the People’s Republic of China;
“Relevant Subsidiaries”	CRC Fengkai, CRC Heqing and CRC Midu;
“RMB”	Renminbi, the lawful currency of PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yunnan CRP”	Yunnan China Resources Power (Honghe) Co., Ltd.* (雲南華潤電力(紅河)有限公司), a sino-foreign equity joint venture established in PRC with limited liability and an indirect non-wholly-owned subsidiary of CR Power;
“Yunnan Electric Power Company”	Yunnan Electric Power Company* (雲南電網公司), the operator of the southern power grid in Yunnan Province, PRC.

By order of the Board
CHINA RESOURCES CEMENT HOLDINGS LIMITED
ZHOU Longshan
Chairman

Hong Kong, 28 July 2016

** For identification purposes only.*

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\$1.17. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

As at the date of this announcement, the executive Directors are Mr. ZHOU Longshan, Mr. PAN Yonghong, and Mr. LAU Chung Kwok Robert; the non-executive Directors are Mr. DU Wenmin, Mr. WEI Bin, Mr. CHEN Ying and Mr. WANG Yan; and the independent non-executive Directors are Mr. IP Shu Kwan Stephen, Mr. SHEK Lai Him Abraham, Mr. XU Yongmo, Madam ZENG Xuemin and Mr. LAM Chi Yuen Nelson.