



# ANHUI CONCH CEMENT COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 0914)

## CONNECTED TRANSACTION

On 29 December 2004, the Company and its wholly-owned subsidiary, Huaining Conch, entered into the Equity Transfer Agreement with Development & Investment Company, pursuant to which the Company and Huaining Conch agreed to acquire from Development & Investment Company an aggregate 49% equity interest in Shuangfeng Conch held by it at an aggregate Consideration of RMB131,320,000. The Equity Transfer Agreement was completed on 29 December 2004, and an application for amendments to the industry and commerce registration of Shuangfeng Conch has been submitted to the relevant industry and commerce department immediately after the completion of the Equity Transfer Agreement. The Company and Huaining Conch will hold 90% and 10% equity interest in Shuangfeng Conch respectively after the amendment to the industry and commerce registration of Shuangfeng Conch becoming effective.

Immediately before the completion of the Equity Transfer Agreement, the Company held 51% of the equity interest in Shuangfeng Conch; Development & Investment Company held 49% of the equity interest in Shuangfeng Conch. Both the Company and Development & Investment Company are the Controlling Shareholders of Shuangfeng Conch.

The Connected Transaction constitutes a connected transaction of the Company. The Board (including the independent non-executive directors of the Company) considers that the Connected Transaction was conducted on normal commercial terms. It is only subject to the reporting and announcement requirements under Rule 14A.45 and 14A.47 of the Listing Rules, and no independent shareholders' approval is required. Details of the Equity Transfer Agreement will be included in the Company's annual report and financial statements for the year ending 31 December 2004.

### 1. Principal terms of the Equity Transfer Agreement:

- (1) **Date :** 29 December 2004
- (2) **Parties :**
- (a) Development & Investment Company as vendor
  - (b) The Company as purchaser
  - (c) Huaining Conch, a wholly-owned subsidiary of the Company, as purchaser

(3) **Subject matter:** Immediately before the completion of the Equity Transfer Agreement, the Company held 51% of the equity interest in Shuangfeng Conch; Development & Investment Company held 49% of the equity interest in Shuangfeng Conch. Pursuant to the terms of the Equity Transfer Agreement, Development & Investment Company agreed to sell the 49% equity interest in Shuangfeng Conch held by it and each of the Company and Huaining Conch agreed to acquire 39% and 10% equity interest in Shuangfeng Conch respectively. Such 49% equity interest in Shuangfeng Conch represents 49% of its registered capital. The completion of the Equity Transfer Agreement was unconditional and the Equity Transfer Agreement was completed on 29 December 2004. An application for amendments to the industry and commerce registration of Shuangfeng Conch in relation to the transfer of equity has been submitted to the industry and commerce department where Shuangfeng Conch is located immediately after the completion of the Equity Transfer Agreement. After the amendment to the industry and commerce registration of Shuangfeng Conch becoming effective, the Company and Huaining Conch will hold 90% and 10% of the equity interest in Shuangfeng Conch respectively, while Development & Investment Company will cease to hold any equity interest in Shuangfeng Conch.

(4) **Consideration:** The Consideration for the Connected Transaction is RMB131,320,000 (equivalent to approximately HK\$123,886,792) and is required to be settled in cash within 30 days from the date of the signing of the Equity Transfer Agreement. The Company and Huaining Conch will pay the Consideration using their respective working capital.

The Consideration was determined after arm's length negotiations between the parties, having regard to the registered capital and net asset value of Shuangfeng Conch. It is equivalent to 49% of the registered capital of Shuangfeng Conch and

is higher than the net asset value of Shuangfeng Conch by around RMB843,147. The Board (including the independent non-executive directors of the Company) considers that the Consideration is fair and reasonable so far as to the Company and the shareholders of the Company as a whole are concerned.

### 2. Reasons for entering into the Equity Transfer Agreement

The Company is a holding company and its subsidiaries are principally engaged in the production and sale of cement and clinker in the PRC. Development & Investment Company is a limited company established in the PRC and is principally engaged in asset investment and investment consulting services.

Under the Company Law of the PRC, a limited liability company shall have at least two shareholders. To comply with the Company Law of the PRC, the Board considers it appropriate to acquire the 10% interest by one of the Company's wholly owned subsidiaries, Huaining Conch, so that the Company will hold 90% while Huaining Conch will hold 10% of the equity interest of Shuangfeng Conch after the Connected Transaction.

The Board (including the independent non-executive directors of the Company) considers that the purchase of Shuangfeng Conch's equity interests can increase the Group's equity interests in Shuangfeng Conch and enable the Group to increase its sales and enlarge the Group's market share in Hunan and its neighbouring areas by expansion and consolidation of the cement markets in these regions.

The Board (including the independent non-executive directors of the Company) considers that the Equity Transfer Agreement was conducted on normal commercial terms, which are fair and reasonable, and are in the best interest of the Company and its shareholders as a whole.

### 3. Connected Transaction

Development & Investment Company is a Controlling Shareholder of Shuangfeng Conch, a non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules. Therefore, the transaction made pursuant to the terms of the Equity Transfer Agreement constitutes to a connected transaction of the Company under the Listing Rules. As the size test ratios (as prescribed under Chapter 14 of the Listing Rules) obtained by comparing the relevant items of Shuangfeng Conch with the relevant items of the Group as disclosed in the Group's audited financial statements for the financial year ended 31 December 2003 do not exceed 2.5%. Accordingly, the Connected Transaction is only subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules and no independent shareholders' approval is required. Details of the Equity Transfer Agreement will be disclosed in the Company's annual report and financial statements for the year ending 31 December 2004.

### 4. Information of Shuangfeng Conch

Shuangfeng Conch is a limited liability company established in the PRC on 16 April 2004 by the Company and Development & Investment Company. Shuangfeng Conch is principally engaged in the production and sale of cement and clinker, and mining (exploration of raw mine for cement). The principal assets of Shuangfeng Conch include the production line and production plant for manufacturing of cement and clinker and the land use rights. The registered address of Shuangfeng Conch is Santangpu Town, Shuangfeng County, Hunan Province, the PRC. The registered capital of Shuangfeng Conch from the date of its establishment until the date of the signing of the Equity Transfer Agreement was RMB268,000,000. At the time when Shuangfeng Conch was established, 51% of its registered capital was owned by the Company, 24.5% of its registered capital was owned by Ning Bo City Jingang Trust Investment Limited Company (寧波市金港信託投資有限責任公司) and 24.5% of its registered capital was owned by Shanghai Aijian Trust Investment Limited Company (上海愛建信託投資有限責任公司), all of which had already invested at Shuangfeng Conch's establishment their share in Shuangfeng Conch's registered capital by cash in full. In around July 2004, Ning Bo City Jingang Trust Investment Limited Company (寧波市金港信託投資有限責任公司) and Shanghai Aijian Trust Investment Limited Company (上海愛建信託投資有限責任公司) sold their respective equity interest in Shuangfeng Conch to Development & Investment Company at an aggregate consideration of RMB131,320,000.

Shuangfeng Conch possesses a modern dry-process cement production line with daily production capacity of 5,000 tonnes and a cement grinding system with annual capacity of 1,100,000 tonnes. The project has commenced production at the end of October 2004 and is now in the stage of test production. Based on the Unaudited Accounts, Shuangfeng Conch did not have any profit for such period.

Based on the Unaudited Accounts, the net loss of Shuangfeng Conch as at 30 November 2004 was approximately RMB1,929,308 (equivalent to approximately HK\$1,820,102).

Based on the Unaudited Accounts, the total asset value of Shuangfeng Conch as at 30 November 2004 was approximately RMB586,133,165 (equivalent to approximately HK\$552,955,816).

Based on the Unaudited Accounts, the net asset value of Shuangfeng Conch as at 30 November 2004 was approximately RMB266,279,292 (equivalent to approximately HK\$251,206,879).

Being one of the subsidiaries of the Company, the assets of Shuangfeng Conch has already been consolidated into the unaudited consolidated accounts of the Group in its interim report for the six months ended 30 June 2004 and into the unaudited consolidated accounts of the Group in its third quarterly report for the nine months ended 30 September 2004. After the Connected Transaction, Shuangfeng Conch will become a wholly-owned subsidiary of the Company and its assets will continue to be consolidated in the consolidated accounts of the Group.

## 5. Definitions

"Board"	means the board of directors of the Company
"Company"	means Anhui Conch Cement Company Limited, a company established in the PRC, whose H shares are listed on the Stock Exchange and whose A shares are listed on the Shanghai Stock Exchange
"Connected Transaction"	means the transfer of an aggregate 49% of the equity interest in Shuangfeng Conch from Development & Investment Company to the Company and Huaining Conch pursuant to the terms of the Equity Transfer Agreement
"Consideration"	means the aggregate consideration to be paid by the Company and Huaining Conch to Development & Investment Company pursuant to the terms of the Equity Transfer Agreement
"Controlling Shareholder"	means the meaning ascribed to it under the Listing Rules
"Development & Investment Company"	means Anhui Province Development & Investment Co., Ltd., a company established in the PRC
"Equity Transfer Agreement"	means the equity transfer agreement entered into on 29 December 2004 between the Company and Huaining Conch as purchasers and Development & Investment Company as vendor in relation to the transfer of 49% equity interests in Shuangfeng Conch
"Group"	means the Company and its subsidiaries
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"Huaining Conch"	means Anhui Huaining Conch Cement Co., Ltd., a limited company established in the PRC
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	means the People's Republic of China
"RMB"	means Renminbi, the lawful currency of the PRC
"Shuangfeng Conch"	means Shuangfeng Conch Cement Co., Ltd., a limited company established in the PRC
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Unaudited Accounts"	means the unaudited management accounts of Shuangfeng Conch for the period since its establishment up to 30 November 2004
"%"	means per cent

Note: For the purpose of the aforesaid announcement, translation of Renminbi into Hong Kong dollars or vice versa has been calculated by using an exchange rate of HK\$1.00 = RMB1.06

As at the date of this announcement, the Board comprises (i) Messrs Guo Wensan, Li Shunan, Yu Biao, Zhu Dejin and Guo Jingbin as executive directors, and (ii) Ms Xue Tongzu, Mr Kuang Bingwen and Mr Ding Zhiming as independent non-executive directors.

By order of the Board  
Zhang Mingjing  
Company Secretary

4 January 2005

Wuhu City, Anhui Province, The PRC