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## **Asia Cement (China) Holdings Corporation**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 743)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 70% EQUITY INTEREST IN WUHAN XINLINGYUN**

Reference is made to the announcement of the Company dated 6 May 2010 relating to the Framework Agreement in respect of the acquisition of Wuhan Xinlingyun.

The Board is pleased to announce that on 23 June 2010, Hubei Yadong, being a non wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Sellers and the Target Company for acquiring 70% of the equity interest in Wuhan Xinlingyun at the total consideration of RMB236.6 million. Upon the Completion Date, Wuhan Xinlingyun will be renamed as Wuhan Yaxin.

Pursuant to the Acquisition Agreement, Hubei Yadong also entered into the Joint Venture Agreement with the Sellers. The Joint Venture Agreement shall regulate the rights and obligations between Hubei Yadong and the Sellers in the management of Wuhan Yaxin following the completion of the Acquisition. Details of the Acquisition Agreement and the Joint Venture Agreement are set out in this announcement.

The Acquisition constitutes a discloseable transaction of the Company which is subject to the announcement requirements under Chapter 14 of the Listing Rules.

**As the Acquisition is subject to the conditions precedent in the Acquisition Agreement being satisfied or waived and the Acquisition may or may not proceed to completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **BACKGROUND**

Reference is made to the announcement of the Company dated 6 May 2010 relating to the Framework Agreement in respect of the acquisition of Wuhan Xinlingyun. The Board is pleased to announce that on 23 June 2010, Hubei Yadong, a non wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Sellers and the Target Company for the acquisition of 70% equity interest in Wuhan Xinlingyun. Upon the Completion Date, Wuhan Xinlingyun will be renamed as Wuhan Yaxin.

Pursuant to the Acquisition Agreement, Hubei Yadong also entered into the Joint Venture Agreement with the Sellers. The Joint Venture Agreement shall regulate the rights and obligations between Hubei Yadong and the Sellers in the management of Wuhan Yaxin following the completion of the Acquisition. Details of the Acquisition Agreement and the Joint Venture Agreement are set out in this announcement.

Upon Completion Date, the Company will, through Hubei Yadong, hold approximately 70% of the entire equity interest in Wuhan Yaxin and will control the majority of the members of its board of directors. Wuhan Yaxin shall thus become a non wholly-owned subsidiary of the Company.

## **SUMMARY OF THE ACQUISITION AGREEMENT**

### **Date of Acquisition Agreement**

23 June 2010

### **Parties**

Sellers : (1) Cheng Zhi Qiang\* (程志強)  
(2) Dai Ming Gang\* (戴明剛)

Purchaser : Hubei Yadong

Target Company : Wuhan Xinlingyun

### **Subject of the Acquisition**

The equity interest to be acquired by Hubei Yadong represents 70% of the entire equity interest in Wuhan Xinlingyun.

### **Consideration and basis of determination**

The Consideration is RMB236.6 million, with appropriate adjustments as required and payable to Sellers by two separate installments. The first installment of the Consideration at the amount of RMB70.98 million is payable within 5 working days after the fulfillment of certain conditions precedents under the Acquisition Agreement. The second installment of the Consideration at the amount of RMB165.62 million is payable within 5 working days upon the satisfaction or waiver of other conditions precedent under the Acquisition Agreement and after the Registration Date.

The Consideration is based on the valuation of the Target Company as at 31 October 2009 as stated in the auditor's report prepared by a PRC auditor and the appraised value of the Target Company as of 31 October 2009 was approximately RMB338 million. The amount of the Consideration stated above is adjustable by 70% of any change in the net asset value of the Target Company during the period from 31 October 2009 to the Completion Date ("Adjustment"), which will be determined by the auditor jointly appointed by the Sellers and the Purchaser and the Board expects that it will be insignificant.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the parties to the Acquisition Agreement and with reference to, among others, the production capacity and the synergies with the existing expansion plan of the Group. The Consideration and the terms of the Acquisition are considered by the Board to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Consideration will be satisfied by way of internal resources of the Company and/or bank borrowings.

### **Conditions precedent**

Payment of the first installment of the Consideration is conditional upon satisfaction of the following conditions precedent:

- (a) due execution of the Acquisition Agreement;
- (b) due execution of the Formal Documentations pursuant to the Framework Agreement; and
- (c) approval of the Acquisition by MOEAIC of the Republic of China.

Payment of the second installment of the Consideration is conditional upon satisfaction or waiver by the Purchaser of the following conditions precedent ("Second Installment Conditions"):

- (d) completion of financial due diligence by the Purchaser confirming that the status of the Target Company is essentially the same as the information disclosed in the valuation documents, and such documents do not contain any false statements, misrepresentations or material omissions;
- (e) the Purchaser and the Seller have reached written agreement on the amendments to the articles of association of the Target Company; and
- (f) the return of the refundable deposit of RMB20 million (which has been paid to the Sellers after the signing of the Framework Agreement) to the Purchaser or a third party designated by the Purchaser within 5 working days after the due payment of the first installment of the Consideration.

### **Completion**

Completion of the Acquisition shall take place on Completion Date.

## **THE JOINT VENTURE AGREEMENT**

As a condition precedent to the Acquisition Agreement, the Company entered into the Joint Venture Agreement and an amended and restated articles of association of Wuhan Yaxin, the new name of the Target Company upon Completion Date, with the Sellers in accordance with the applicable PRC laws and regulations.

### **Date of the Joint Venture Agreement**

23 June 2010

### **Parties**

- (1) the Sellers
- (2) Hubei Yadong

### **Term of operation**

The term of operation of Wuhan Yaxin shall be 50 years from the date of issue of its business licence. If both parties consent to the extension of the term of operation, subject to a shareholders' resolution being passed, the parties may apply to the relevant PRC approval authorities by 6 months before the expiry of the term of operation.

### **Registered capital and total investment amount**

The total investment amount and the registered capital of Wuhan Yaxin are RMB60 million and RMB30 million, respectively. The registered capital of Wuhan Yaxin has been fully paid up by the Sellers.

### **Board composition**

The board of directors of Wuhan Yaxin will consist of 7 directors, 2 of whom will be nominated by the Sellers while the remaining 5 directors will be nominated by Hubei Yadong. The legal representative of Wuhan Yaxin will be nominated by Hubei Yadong and will act as the chairman of the board of directors. There will be 2 supervisors and each party will appoint 1 supervisor.

### **Profit distribution**

The profits of Wuhan Yaxin available for distribution shall be distributed on an annual basis to the Sellers and Hubei Yadong in proportion to their respective share of equity interest.

## Limitations on transfer

Neither party may transfer any part of its equity interest in Wuhan Yaxin within 2 years from the Completion Date (“**Lock-up Period**”) without written consent of the other party except that Hubei Yadong may transfer all or part of its equity interest in Wuhan Yaxin to its associate companies. Upon the expiry of the Lock-up Period, either party shall provide prior written notice to the other party before transferring all or part of its equity interest in Wuhan Yaxin, and such other party shall have the right of first refusal.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition will accelerate the Company’s capacity expansion plan in the Central Yangtze River Region and enable the Company to increase its market shares in the Wuhan cement market.

## INFORMATION ON WUHAN XINLINGYUN

### Company information

Wuhan Xinlingyun principally engages in the business of manufacture and sale of cement, concrete and related products in Wuhan in the PRC. It operates a cement plant located in Wuhan City, Hubei which comprises a new dry process clinker production line with total annual cement production capacity of 1.5 million tons.

### Financial information

	<b>For the year ended 31 December 2008</b> <i>(RMB)</i> <i>(unaudited)</i>	<b>For the year ended 31 December 2009</b> <i>(RMB)</i> <i>(unaudited)</i>
Net profit before taxation and extraordinary items:	5,254,918	19,008,417
Net profit after taxation and extraordinary items:	3,941,188	14,176,091
	<b>As at 31 December 2008</b> <i>(RMB)</i> <i>(unaudited)</i>	<b>As at 31 December 2009</b> <i>(RMB)</i> <i>(unaudited)</i>
Net assets:	45,995,628	62,832,244

## **INFORMATION ON THE PARTIES TO THE ACQUISITION AND THE COMPANY**

The Sellers are PRC individuals who together hold 100% equity interest in the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers are independent third parties being independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

The Purchaser is a non wholly-owned subsidiary of the Company whose principal activities are manufacture and sale of cement products, clinker, blast-furnace slag powder and related products.

Wuhan Xinlingyun was established under the laws of the PRC on 19 August 2003. Before the Completion Date, it is a limited liability company established in the PRC and its principal activities are manufacture and sale of cement, concrete and related products in Wuhan in the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement, concrete and related products.

## **LISTING RULES IMPLICATIONS AND GENERAL INFORMATION**

The Acquisition constitutes a discloseable transaction of the Company which is subject to the announcement requirements under Chapter 14 of the Listing Rules.

**As the Acquisition is subject to the conditions precedent in the Acquisition Agreement being satisfied or waived and the Acquisition may or may not proceed to completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

A further announcement will be made by the Company upon the completion of the Acquisition.

## **DEFINITIONS**

“Acquisition”	the acquisition of 70% equity interest in the Target Company by Hubei Yadong pursuant to the Acquisition Agreement
“Acquisition Agreement”	the equity transfer agreement entered into on 23 June 2010 between the Sellers, Purchaser and the Target Company relating to the Acquisition
“Board”	the board of Directors
“Company”	Asia Cement (China) Holdings Corporation

“Completion Date”	upon satisfaction (or waiver) of the Second Installment Conditions, the date of full payment of the second installment of the Consideration which shall occur with 5 working days from the Registration Date
“Consideration”	the consideration of the Acquisition at the amount of RMB236.6 million
“Directors”	the directors of the Company
“Formal Documentations”	the Acquisition Agreement, Joint Venture Agreement and other transactional documents relating to the Acquisition, including the articles of association of the Target Company, the ancillary services agreement and other related agreements
“Framework Agreement”	has the meaning ascribed to it in the announcement of the Company dated 6 May 2010
“Group”	the Company and its subsidiaries
“Joint Venture Agreement”	the joint venture agreement dated 23 June 2010 in relation to Wuhan Yaxin entered into between the Sellers and Hubei Yadong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOEAIC”	the Investment Commission of the Ministry of Economic Affairs in the Republic of China
“PRC”	the People’s Republic of China
“Purchaser” or “Hubei Yadong”	Hubei Yadong Cement Co., Ltd* (湖北亞東水泥有限公司)
“Registration Date”	the date of registration of the changes in equity holding of the Target Company with the relevant branch of the Administration for Industry and Commerce in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Cheng Zhi Qiang* (程志強) and Dai Ming Gang* (戴明剛), both being individuals residing in the PRC who together hold 100% of the equity interest in the Target Company immediately before the Acquisition

“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”, “Wuhan Xinlingyun” or “Wuhan Yaxin”	Wuhan Xinlingyun Cement Co., Ltd* (武漢鑫凌雲水泥有限公司), to be renamed as Wuhan Yaxin Cement Co., Ltd* (武漢亞鑫水泥有限公司) upon the Registration Date

\* For identification purposes only.

By order of the Board  
**Asia Cement (China) Holdings Corporation**  
**Mr. HSU, Shu-tong**  
*Chairman*

Hong Kong, 23 June 2010

*As at the date of this announcement, the executive Directors are Mr. CHANG Tsai-hsiung, Madam CHIANG SHAO Ruey-huey, Mr. CHANG Chen-kuen, Mr. LIN Seng-chang and Dr. WU Chung-lih, the non-executive Director and Chairman is Mr. HSU Shu-tong, the independent non-executive Directors are Mr. LIU Zhen-tao, Mr. LEI Qian-zhi, Mr. TSIM Tak-lung Dominic and Dr. WONG Ying-ho Kennedy.*