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Asia Cement (China) Holdings Corporation

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 743)

CONNECTED TRANSACTION AMENDMENT TO THE DEED OF NON-COMPETITION

**Independent Financial Adviser to the Independent Board Committee and the
Independent Shareholders**



AMENDMENT TO THE DEED OF NON-COMPETITION

The Current Deed was entered into between Asia Cement, Far Eastern and the Company on 27 April 2008, pursuant to which each of the Covenantors irrevocably agreed, undertook and covenanted with the Company that it would not and would procure that its associates would not, directly or indirectly, during the Term, invest, participate, operate and/or manage any businesses involving the Cement Business in the PRC through any means, including, but not limited to, joint operations, joint venture, cooperation, partnership, agency or share participation.

On 24 June 2014 (after trading hours), each of the Covenantors and the Company entered into the Amendment Deed to amend the Current Deed.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Asia Cement holds approximately 73% of the entire issued share capital of the Company and thus is a connected person of the Company as defined under the Listing Rules. The entering into of the Amendment Deed constitutes a connected transaction under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Amendment Deed. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deed.

GENERAL

The EGM will be held for the Independent Shareholders to consider and approve the Amendment Deed by way of ordinary resolutions.

A circular containing, among other things, (i) further details of the Amendment Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Amendment Deed; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deed; and (iv) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 18 July 2014.

AMENDMENT TO THE DEED OF NON-COMPETITION

The Current Deed

Reference is made to the Current Deed entered into among Asia Cement, Far Eastern and the Company on 27 April 2008 pursuant to which each of the Covenantors irrevocably agreed, undertook and covenanted with the Company that it would not and would procure that its associates and its controlled companies would not, directly or indirectly, during the Term, invest, participate, operate and/or manage any businesses involving the Cement Business in the PRC through any means, including, but not limited to, joint operations, joint venture, cooperation, partnership, agency or share participation (the "**Scope of Restriction**").

Under the Current Deed, the following shall not be considered as falling within the Scope of Restriction:

- (a) holding or being interested in any security in any company which engages or involves in a business falling within the Scope of Restriction where the amount of such holding does not exceed 10% of the entire share capital of such company or it is not the single largest shareholder of such company or it does not control the board of such company (the "**Relevant Exceptions**");

- (b) holding any security in the Company or in Asia Cement by Far Eastern; or
- (c) engaging in or discharging any duty, service or act for the benefit of the Company or any of its subsidiaries.

Accordingly, a Covenantor can compete with the Company under the Current Deed even if it engages or is involved in a business falling within the Scope of Restriction if it is not the single largest shareholder of that company carrying on such business or does not own more than 10% of the shares of such company or does not control the board of such company.

It is further provided in the Current Deed that if any business opportunity is presented and such business opportunity includes a business falling within the Scope of Restriction, the Covenantors shall immediately notify, or procure that their associates immediately notify the Company of such business opportunity, and use their best efforts to assist the Company and/or any of their associated companies, if applicable, to obtain terms given to them or conditions otherwise acceptable to the Company and/or any of their associated companies, if applicable.

The Amendment Deed

On 24 June 2014 (after trading hours), each of the Covenantors and the Company entered into the Amendment Deed to amend the Current Deed.

The Amendment Deed shall take effect upon the Company having complied with the Listing Rules and obtained the approval of Shareholders (other than the Covenantors and their respective associates who are also Shareholders) in respect of the execution of the Amendment Deed (the “**Conditions Precedent**”).

If any of the Conditions Precedent to the Amendment Deed is not fulfilled on or before 30 September 2014 or such later date as may be agreed by the parties, the Amendment Deed shall become null and void in all respects and cease to have any effect whatsoever; and no party to the Amendment Deed shall have any claim against the other party.

In the Amendment Deed, the Scope of Restriction is amended to cover any business which competes directly or indirectly with the business involving the Cement Business currently and from time to time engaged by the Company or any member of the Group (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) in the PRC (the “**Restricted Business**”); provided that engaging in any one or more of the following shall not constitute engaging in a Restricted Business:

- (a) the holding of shares or other interests in any member of the Group;
- (b) the holding of shares or other interests in Asia Cement by Far Eastern;
- (c) engaging in or discharging any duty, service or act for the benefit of the Company or any of its subsidiaries;

- (d) any investments made by the Covenantors and/or any of its associates in compliance with the Current Deed before the effective date of the Amendment Deed; and
- (e) the holding of shares or other interests in any company (other than any member of the Group) which carries on any Restricted Business where:
 - (i) the total number of the shares held by the Covenantor and/or its associates does not exceed 10% of the issued share capital of the company in question,
 - (ii) such Covenantor and its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company, and
 - (iii) at the time of investment there exists at least one other shareholder of that company whose shareholdings in that company (together with those of its associates) are more than the total number of shares held by the Covenantors in aggregate and/or its associates in aggregate.

Further, subject to the exceptions set out above, each of the Covenantors irrevocably and unconditionally undertakes to and covenants with the Company that during the continuation of the Amended Deed:

- (a) each of the Covenantors shall not, and shall procure each of its associates (other than any members of the Group) not to directly or indirectly, carry on, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in any of the Restricted Business;
- (b) if each of the Covenantors and/or any of its associates (the “**Offeror**”) is offered or identifies any project or new business opportunity (the “**New Business Opportunity**”) which is a Restricted Business, it shall, and shall procure its associates (other than members of the Group) to, within 5 Business Days, notify the Company in writing of the New Business Opportunity and provide such information as is reasonably required by the Company in order to enable the Company to consider whether (i) such New Business Opportunity would constitute a Restricted Business; and (ii) it is in the interest of the Group to pursue the New Business Opportunity including, but not limited to, the nature of the New Business Opportunity, the identity of the persons who have offered the New Business Opportunity to the Offeror (the “**Potential Counterparty**”) and the details of the investment or acquisition costs (the “**Offer Notice**”);
- (c) if the Offeror (i) has received written notice declining the New Business Opportunity (the “**Rejection Notice**”); or (ii) has not received the Rejection Notice from the Group within 20 Business Days from the day of receipt of the Offer Notice by the Company, the Offeror shall be permitted to invest in or participate in the New Business Opportunity on its own accord on terms no more favourable than the terms set out in the Offer Notice (a “**Permitted Investment**”); and

- (d) if the Offeror has received written notice from the Company confirming that the New Business Opportunity would constitute a Restricted Business and indicating that it would like to pursue the New Business Opportunity (the “**Acceptance Notice**”), but the Company and the Potential Counterparty are unable to enter into a legally binding document to effect the transaction(s) contemplated in the New Business Opportunity within 20 Business Days upon the day of receipt of the Acceptance Notice by the Offeror, the Offeror shall be permitted to invest in or participate in the New Business Opportunity on its own accord on terms no more favourable than the terms set out in the Offer Notice (which investment shall also constitute a Permitted Investment).

The Directors will be responsible for reviewing, considering and deciding whether (i) the New Business Opportunity would constitute a Restricted Business; and (ii) it is in the interest of the Group to pursue the New Business Opportunity or permit the Covenantors or their associates to pursue the New Business Opportunity. Any Directors who are interested in or related to the New Business Opportunity shall abstain from voting. In assessing whether or not to pursue the New Business Opportunity, the Directors should consider all factors they consider relevant, including any feasibility studies, counterparty risks, estimated profitability, the business strategy of the Group, the financial resources of the Group, the qualifications and/or eligibility the Group then has, the market and commercial risks and strategic basis for pursuing the New Business Opportunity of the Group or permitting another party to pursue same and the relevant legal, regulatory and contractual requirements with a view to arriving at a decision which is in the best interest of the Shareholders and the Group as a whole.

Pursuant to the Amendment Deed, the following undertakings shall replace the existing corresponding undertakings in the Current Deed, which amendment offers better protection for the Company. Each of the Covenantors further undertakes to the Company:

- (i) to procure its distributors not to distribute their cement products to end users in the PRC except through a Permitted Investment;
- (ii) to provide the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Amended Deed and the enforcement of the non-competition undertakings in the Amended Deed; and
- (iii) after the end of each financial year of the Company, to make an annual declaration which shall state whether or not it has during that financial year complied with the terms of the Amended Deed and, if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of the Company for the relevant financial year.

The Company will also continue to adopt the following procedures to ensure that the undertakings under the Amended Deed are observed:

1. the Company will disclose in its annual report the results of review conducted by the independent non-executive Directors in respect of the compliance of the terms of the Amended Deed and the enforcement of the non-competition undertakings in the Amended Deed or by way of announcement to the public in compliance with the requirements of the Listing Rules;
2. in the event that any New Business Opportunity presented by or otherwise arising in connection with any of the Covenants is rejected by the Company in accordance with the Amended Deed, the decision as well as the basis for such decision will be disclosed in the annual report or interim report of the Company (as the case may be); and
3. the Board is of the view that the Directors have sufficient experience in assessing whether or not to pursue the New Business Opportunity. However, the Directors may, at the expense of the Company, appoint an independent financial adviser or other professionals to advise them on whether or not to take up the New Business Opportunity as they see fit.

There is no change to the remaining material terms of the Current Deed under the Amendment Deed.

REASONS FOR ENTERING INTO THE AMENDMENT DEED OF NON-COMPETITION

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be issued by the Company after considering the advice from the Independent Financial Adviser) are of the view that the Current Deed offers insufficient protection for the Company because the Relevant Exceptions severely limit the effectiveness of the application of the non-compete covenants given by the Covenants.

Further, the new procedures of referring new business opportunities relating to any Restricted Business to the Company give the Group an opportunity to consider (through the independent Directors, who will take into account all factors they consider relevant) the Group's participation in such new business opportunities.

If the Group does not have the ability or resources or does not wish to pursue such opportunities and decides not to do so, under the new procedures, the relevant Covenants would be permitted to participate in such opportunities on its own accord on terms no more favourable than the terms available to the Group.

The Directors (excluding the independent non-executive Directors) believe that the Amended Deed can better protect the interests of the Company and enhance the procedures for the Covenants to refer new business opportunities relating to any Restricted Business to the Company.

INFORMATION ON THE PARTIES AND THE COMPANY

Asia Cement is a company incorporated in Taiwan with limited liability under the company law of Taiwan with its shares listed on the Taiwan Stock Exchange. Asia Cement is principally engaged in the production and sales of cement, concrete and related products through self-built of production line and diversified investment.

Far Eastern is a company incorporated in Taiwan with limited liability under the company law of Taiwan with its shares listed on the Taiwan Stock Exchange. Far Eastern is a polyester producer which has completed vertical integration at its core business production lines both in Taiwan and the PRC from upstream PTA plants to downstream polyester and textile products.

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. There were no significant changes in the nature of the Group's principal activities during the year. The Company has been in discussions with different parties in relation to possible forms of cooperation in the PRC cement market. The Company will provide an update to the Shareholders in accordance with the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Asia Cement holds approximately 73% of the entire issued share capital of the Company and accordingly Asia Cement is a substantial shareholder and thus a connected person of the Company. The entering into of the Amendment Deed constitutes a connected transaction under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Amendment Deed. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deed.

The Directors (excluding the independent non-executive Directors) consider that the terms of the Amendment Deed are fair and reasonable and in the interests of the Shareholders as a whole.

Save for Mr. Hsu, Shu-tong, Mr. Hsu, Shu-ping, Mr. Chang, Tsai-hsiung and Mr. Chang Chen-kuen who also serve as board members of Asia Cement, all of the Directors have confirmed that none of them has any material interest in the Amendment Deed; and therefore no Director (except Mr. Hsu, Shu-tong, Mr. Hsu, Shu-ping, Mr. Chang, Tsai-hsiung and Mr. Chang Chen-kuen) is required to abstain from voting at the meeting of the Board to approve the Amendment Deed.

GENERAL

The EGM will be held for the Independent Shareholders to consider the Amendment Deed, and approve the Amendment Deed by way of ordinary resolutions.

A circular containing, among other things, (i) further details of the Amendment Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Amendment Deed; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deed; and (iv) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 18 July 2014.

As at the date of this announcement, Asia Cement, being the Company's Controlling Shareholder and one of the Covenantors in the Amendment Deed, has a material interest in the Amendment Deed. Accordingly, it shall abstain from voting in respect of the resolutions approving the Amendment Deed at the EGM.

DEFINITIONS

In this announcement, the following expressions shall have the meanings ascribed to them below unless the context requires otherwise:

“Acceptance Notice”	as defined in the section headed “Amendment Deed” of this announcement
“Amended Deed”	the Current Deed as amended and supplemented by the Amendment Deed
“Amendment Deed”	the amendment deed of non-competition entered into between Asia Cement, Far Eastern and the Company on 24 June 2014 (after trading hours) to amend the Current Deed
“Asia Cement”	Asia Cement Corporation (亞洲水泥股份有限公司), a company incorporated on 21 March 1957 in Taiwan with limited liability under the Taiwan Company Law with its shares listed on the Taiwan Stock Exchange. Asia Cement is the Controlling Shareholder of the Company
“associate”	has the meaning ascribed to the term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday or a public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong during normal business hours

“Cement Business”	cement business (including cement products, clinker, blast-furnace slag powder and related products) and concrete business (including ready-mixed concrete)
“Company”	Asia Cement (China) Holdings Corporation, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 743)
“Conditions Precedent”	as defined in the section headed “Amendment Deed” of this announcement
“connected person(s)”	has the meaning ascribed to the term under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to the term under the Listing Rules
“Covenantors”	Asia Cement and Far Eastern and “Covenantor” means any one of them
“Current Deed”	the deed of non-competition entered into between Asia Cement and Far Eastern and the Company on 27 April 2008
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among other things, the Amendment Deed
“Far Eastern”	Far Eastern New Century Corporation, formerly known as “Far Eastern Textile Ltd.”, a company incorporated in Taiwan with limited liability under the Taiwan Company Law. Far Eastern is also listed on the Taiwan Stock Exchange
“Group”	the Company and its subsidiaries from time to time and “member(s) of the Group” shall be construed accordingly
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent board committee of the Company comprising Mr. Liu Zhen-tao, Mr. Lei Qian-zhi, Mr. Tsim Tak-lung Dominic and Dr. Wong Ying-ho Kennedy, being all independent non-executive Directors, to advise the Independent Shareholders in respect of the Amendment Deed

“Independent Financial Adviser”	Fortune Financial Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amendment Deed
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the Amendment Deed
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Business Opportunity”	as defined in the section headed “Amendment Deed” of this announcement
“Offer Notice”	as defined in the section headed “Amendment Deed” of this announcement
“Offeror”	as defined in the section headed “Amendment Deed” of this announcement
“Permitted Investment”	as defined in the section headed “Amendment Deed” of this announcement
“Potential Counterparty”	as defined in the section headed “Amendment Deed” of this announcement
“PRC”	the People’s Republic of China, and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Rejection Notice”	as defined in the section headed “Amendment Deed” of this announcement
“Relevant Exceptions”	as defined in the section headed “Current Deed” of this announcement
“Restricted Business”	as defined in the section headed “Amendment Deed” of this announcement
“Scope of Restriction”	as defined in the section headed “Current Deed” of this announcement
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the period from 20 May 2008 being the effective date of the Current Deed until the earlier of (i) the day on which the Shares cease to be listed on the Stock Exchange or other recognised stock exchange and (ii) the day on which Asia Cement ceases to be the Controlling Shareholder of the Company
“%”	percent

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

Hong Kong, 24 June 2014

As at the date of this announcement, the Board of the Company comprises:

- (1) six executive Directors namely Mr. CHANG Tsaihsiung (Vice Chairman); Dr. WU Chung-lih (Chief Executive Officer); Madam CHIANG SHAO Ruey-huey; Mr. CHANG Chen-kuen; Mr. LIN Seng-chang and Mr. HSU Shu-ping;*
- (2) one non-executive Director namely Mr. HSU Shu-tong (Chairman); and*
- (3) four independent non-executive Directors namely Mr. LIU Zhen-tao; Mr. LEI Qian-zhi; Mr. TSIM Tak-lung Dominic and Dr. WONG Ying-ho Kennedy.*